

HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
JUNE 22, 2016
APPLICATION SUMMARY

NAME OF PROJECT: Blount Memorial Hospital, Incorporated

PROJECT NUMBER: CN1603-011

ADDRESS: 2410 Highway 411 South
Maryville (Blount County), Tennessee 37801

LEGAL OWNER: Blount Memorial Hospital
907 E. Lamar Alexander Parkway
Maryville (Blount County), Tennessee 37804

OPERATING ENTITY: Not Applicable

CONTACT PERSON: Jane Nelson
(865) 981-2310

DATE FILED: March 8, 2016

PROJECT COST: \$7,887,351

FINANCING: Cash Reserves

PURPOSE OF REVIEW: Establishment of a satellite emergency facility with 14 treatment rooms

DESCRIPTION:

Blount Memorial Hospital is seeking approval for the establishment of a 14 treatment room single story newly constructed 17,250 square foot hospital satellite Emergency Department (ED) to be located on 7.18 acres at 2410 Highway 411 South, Maryville, (Blount County), TN 37801. The proposed satellite ED will contract with Align, MD to provide the same full-service, 24-hour, physician-staffed emergency service that is already being provided in Blount Memorial's existing main campus emergency department. The proposed ED will contain diagnostic space for a CT, an ultrasound unit, an x-ray unit and laboratory. The proposed satellite ED service will be operated as a department of Blount Memorial Hospital (BMH).

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

Note to Agency members: There are currently no standards and criteria in the State Health Plan specific to emergency departments.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

3. For renovation or expansion of an existing licensed healthcare institution:

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.**

<i>Facility</i>	<i>Projected Visits Year One</i>	<i>Total Square Footage</i>	<i>Beds</i>	<i>Visits Per Bed</i>
<i>Satellite ED</i>	<i>18,427</i>	<i>17,250</i>	<i>14</i>	<i>1,316</i>
	<i>Projected Visits Year One</i>	<i>Total Square Footage</i>	<i>Beds</i>	<i>Visits Per Bed</i>
<i>Main Hospital ED</i>	<i>45,227</i>	<i>16,042</i>	<i>27</i>	<i>1,675</i>

The applicant projects 18,427 ED visits in Year One representing 1,316 visits per bed for the proposed Blount Memorial Satellite ED. In Year One the applicant projects 45,227 ED visits or 1,675 per bed at the Blount Memorial Hospital main ED.

There are currently no criteria and standards specific to satellite emergency departments in the service area.

Based upon these general criteria for construction, renovation, and expansion, it appears there is insufficient information available to determine if the above criterion has been met.

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.**

The applicant explored expanding the existing ED but found to expand the existing ED would adversely affect the adjacent Radiology department, disrupt service for at least two years (since renovation and additions would have to take place while operating), and cost more than the free standing option.

Emergency Department Design: A Practical Guide to Planning, 2016, American College of Emergency Physicians-High and Low Estimates for dept. areas and beds								
Projected Annual Visit Year 1	Dept. Gross Area		Bed Quantities					
	Low Range	High Range	Low Range Bed Qty.	Low Range Visits/Bed	High Range Bed Qty.	High Range Visits/Bed	Estimated Area /Bed	
							Low	High
55,000	26,400 dgsf	37,400 dgsf	33	1,667 vis/bed	44	1,250 vis/bed	800/ DGSF	850/ DGSF
Applicant-BMH-Main ED								
2015	Total Gross Square Footage		Beds		Visits Per Bed		Estimated Area /Bed	
54,461	16,042		27		2,017		594 dgsf/bed	

The chart above outlines the American College of Emergency Physicians latest 2016 Guidelines for high and low estimates for emergency department areas and beds. The applicant's existing 27 bed main campus ED as compared to the latest ACEP guidelines based on 55,000 2015 annual ED visits reflect the following:

- The existing main Emergency Department gross square footage of 16,042 is below the low range of 26,400 department gross square footage (dgsf) area for an emergency ED.
- The applicant's 2015 annual visits of 2,017 per bed based on 54,461 ED visits is higher than the ACEP's low range of 1,667 visits per bed.
- The applicant's estimated area/bed of 594 dgsf/bed is significantly lower than the low range of 800 dgsf/bed by ACEP guidelines.
- According to the current ACEP guidelines, for the Year 2015 the applicant's existing 27-room, 16,042 gross SF, 2,017 visits per bed main hospital campus ED appears to have less beds and overall square footage and square footage/bed than an emergency department meeting ACEP guidelines with 33-44 rooms capable of handling approximately 55,000 ED visits/year should have.

It appears that this criterion has been met.

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

The proposed project, as a satellite Emergency Department of Blount Memorial Hospital (which is located 2.2 miles from BMH), will provide full service emergency care 24 hours-a-day, 7 days a week, to adult and pediatric patients who seek emergency services in Blount, Loudon, and Monroe Counties focusing on the following six primary service area zip codes:

- 37801 (Blount County-Area southwest of Maryville running parallel to Hwy. #411)
- 37803 (Blount County-Area South of Maryville, TN)
- 37737 (Blount County-Friendsville, TN, Hwy. 321)
- 37742 (Loudon/Blount Counties-Greenback, TN)
- 37802 (Blount-Central Maryville, TN)
- 37885 (Monroe County-Vonore, TN)

Please refer to the zip code service area map in Attachment C-6 of supplemental #1 for more detailed information.

Ownership

- Blount Memorial Hospital is a not-for-profit acute care hospital owned by Blount County, Tennessee chartered in 1946. The hospital is self-managed and is not part of a health network or health alliance.
- According to the 2014 Joint Annual Report, Blount Memorial Hospital was licensed for 304 beds and staffed for 238 beds and reported 55,397 days of care during the 2014 calendar year period (average daily census of 152 patients per day). The licensed and staffed bed occupancy was 50.0% and 63.8% in 2014, respectively.

Note to Agency Members: The following provides the Department of Health's definition of the two bed categories pertaining to occupancy information provided in the Joint Annual Reports:

Licensed Beds - *The maximum number of beds authorized by the appropriate state licensing (certifying) agency or regulated by a federal agency. This figure is broken down into adult and pediatric beds and licensed bassinets (neonatal intensive or intermediate care bassinets).*

Staffed Beds - *The total number of adult and pediatric beds set up, staffed and in use at the end of the reporting period. This number should be less than or equal to the number of licensed beds.*

Blount Memorial Hospital

CN1603-011

June 22, 2016

PAGE 4

Facility Information

- The total square footage of the proposed one-story project is 17,250 square feet. A floor plan drawing is included in Appendix Section B-II A. – Facility Drawing/Floor Plan.
- The proposed ED will contain 14 treatment and exam rooms and will include waiting and registration areas, triage space, nurse's stations, trauma capabilities, rooms for seclusion and for isolation, a decontamination area, and an observation room.
- Ancillary areas will include CT scanning, general radiology, a laboratory, an ultrasound unit.
- Besides the clinical treatment areas, the facility will include support spaces, a staff bathroom and break room, and a separate physician lounge and bathroom.
- The proposed satellite ED will be open 24 hours/day, 7 days/week, and 365 days/year.
- A helipad will not be included in the proposed satellite ED site.
- The proposed satellite ED floor plan includes shelled space for future use.

The following table indicates the number of treatment rooms, stations, and square footage for the existing hospital Emergency Department (ED) and proposed satellite ED.

Proposed Changes in Emergency Department (ED)

Patient Care Areas other than Ancillary Services	Hospital ED	Satellite ED	Combined EDs
Exam/Treatment Rooms	27	14	41
Multipurpose	11	9	20
Holding/Secure/Psychiatric	4	2	6
Isolation	2	1	3
Trauma	10	2	12
Triage Stations	3	1	4
Decontamination Rooms/Stations	*	1	*
GSF of Main and Satellite ED's	16,042 SF*	17,250 SF	33,292 SF

Source: CN1603-01, Supplemental #1.

*A contamination station is located outside of the main campus ED that can service multiple patients.

- Total ED exam/treatment rooms will increase from 27 to 41.
- Multi-purpose ED rooms will increase from 11 to 20.
- The square footage of the combined ED departments will more than double from 16,042 SF to 33,292 SF.

Blount Memorial Hospital

CN1603-011

June 22, 2016

PAGE 5

The chart below outlines the American College of Emergency Physicians latest 2016 Guidelines for high and low estimates for emergency department areas and beds. The applicant's proposed 14 bed satellite ED as compared to the latest ACEP guidelines based on 20,000 annual ED visits reflect the following:

- The proposed Satellite Emergency Department gross square footage of 17,500 is consistent with the high range of 17,500 department gross square footage (dgsf) area for an emergency ED.
- The applicant's projected annual visits of 1,507 per bed in Year 1 based on 18,427 ED visits is higher the ACEP's low range of 1,429 visits per bed.
- The applicant's estimated area/bed of 1,250 dgsf/bed is significantly above the high range of 875 dgsf/bed by ACEP guidelines.
- According to the current ACEP guidelines, the design of applicant's proposed 14-room, 18,427 gross SF, 1,507 visits per bed satellite ED appears to fall within the target range designed for an emergency department with 14-16 rooms capable of handling approximately 20,000 ED visits/year except for exceeding the low range visits/bed of 1,429 visits/bed and estimated dgsf/bed of 825-875 dgsf.

Emergency Department Design: A Practical Guide to Planning, 2 nd Edition, 2016, American College of Emergency Physicians-High and Low Estimates for dept. areas and beds								
Projected Annual Visit Year 1	Dept. Gross Area		Bed Quantities					
	Low Range	High Range	Low Range Bed Qty.	Low Range Visits/Bed	High Range Bed Qty.	High Range Visits/Bed	Estimated Area /Bed	
							Low	High
20,000	14,438 dgsf	17,500 dgsf	14	1,429 vis/bed	16	1,250 vis/bed	825/ dgsf	875/ dgsf
Applicant-BMH-Satellite ED								
Projected Visits Yr. 1	Total Gross Square Footage		Beds		Visits Per Bed		Estimated Area /Bed	
18,427	17,500		14		1,507		1,250 dgsf/bed	

Source: Emergency Department Design; A Practical Guide to Planning for the Future, 2nd Ed., Pages 116-117.

The following summarizes what services are provided at Blount Memorial Hospital and where patients are referred when specialized services are not available at the main campus.

Open Heart Surgery

- According to the 2014 Joint Annual Report, BMH provides both diagnostic catheterization and therapeutic cardiac catheterization (PCI) services but does not have open heart surgery capabilities.
- The hospitals BMH refers patients for open heart surgeries most often include University Medical Center-Knox County (20 min, 13.8 miles), Ft. Sanders Regional Medical Center-Knox County (24 min., 15.4 miles), and less frequently, Tennova's Physicians Regional Medical Center-Knox County (30 min., 18.8 miles).

Trauma

- The Blount Memorial main campus ED has a designated Level III trauma center dedicated for the provision of specialized emergency care.

Pediatrics

- The 2014 Joint Annual Report indicates the applicant does not have a dedicated pediatric center for the provision of specialized emergency care.
- In addition, BMH does not have a dedicated intensive/intermediate pediatric or neonatal care unit.
- The nearest neonatal intensive care and pediatric intensive care unit is located at University Medical Center (Knox County). University Medical Center (20 min, 13.8 miles) has a 67 bed Level III B unit and a 7 bed pediatric care unit.

Burn Care

- The applicant does not provide specialized burn care. Patients are stabilized and are primarily referred to Vanderbilt Medical Center (Davidson County-2 hr. 56 min, 186.1 miles).

Psychiatric

- The applicant operates a 16 bed inpatient psychiatric unit for patients 18 and over.
- For children and/or adolescents ages 0-17 who present in the ED and are referred for inpatient psychiatric services, the applicant refers those patients to the following top 3 hospitals: Peninsula Youth Village (Blount County-21 min., 11.5 miles), Parkridge Valley Children and Adolescent Center, (Hamilton County-1 hr. 44 min.-106.2 miles), and Rolling Hills Hospital, (Williamson County-3 hr. 7 min., 199.9 miles).

Note to Agency members: Mileage and driving time to the hospitals noted above are under normal driving conditions and speed from the proposed satellite ED site. The data source is MapQuest.

Blount Memorial Hospital

CN1603-011

June 22, 2016

PAGE 7

Project Need

The rationale for this project provided by the applicant includes the following:

- Blount Memorial Hospital's emergency department is projected to treat 60,000 + patients this fiscal year (July 1-June 30, 2016), which represents a 9.1% from the prior Fiscal year and a 16.8% increase from two years ago.
- In Blount County and surrounding area, emergency room visits have increased 4.5% to 9% respectively, from 2009 to 2014. Blount Memorial Hospital needs expanded ED capacity to meet the increase.
- The applicant contracted with a new physician group two years ago to streamline processes in the ED to maximize patient visits and reduce patient wait time. However, despite the applicant's efforts in improving patient flow, the increased ED volume has driven the need to expand ED bed capacity.
- The applicant explored expanding the existing ED but found to expand the existing ED would adversely affect the adjacent Radiology Department, disrupt service for at least two years (since renovation and additions would have to take place while operating), and cost more than the free standing ED option.

Service Area Demographics

Blount Memorial Hospital's declared service area is Blount, Loudon, and Monroe Counties.

- The total population of the 3 county service area is estimated at 235,477 residents in calendar year (CY) 2016 increasing by approximately 5.2% to 247,710 residents in CY 2020.
- The overall statewide population is projected to grow by 4.4% from 2016 to 2020.
- The 65 and older population is expected to comprise approximately 22.0% of the 3 County service area population in CY2016 compared to 16.0% statewide.
- The latest 2016 percentage of the 3 counties population enrolled in the TennCare program is 17.4% for both Blount and Loudon Counties and 25.3% in Monroe County, averaging 20.03% for the 3 counties. The statewide TennCare enrollment percentage is 22.2% of the total population.

Service Area Patient Origin

The Department of Health provided patient origin by zip code of residence in the proposed service area for the BMH's main ED and other hospitals for 2014. The table below compares 2014 patient origin for the proposed primary ZIP Code service area to the proposed satellite ED projections in Year 1.

Blount Memorial Hospital

CN1603-011

June 22, 2016

PAGE 8

**BMH Main ED and Proposed Satellite ED Utilization by Residents of
6 Zip Code PSA**

Proposed Service Area Patient Origin, 2014				BMH Satellite ED Projected Patient Origin, YR 1		
Zip Code/County	Resident ED Visits at BMH 2014	Resident ED Visits at all TN Hospitals 2014	Resident Visits at BMH as a % of Total Visits 6 ZIP Code Hospitals	Zip Code	Satellite ED	% of Total Projected Visits
37801 (Blount)	9,505	13,135	72.4%	37801	4,054	22%
37803 (Blount)	6,933	9,356	74.1%	37803	3,092	16.8%
37737 (Blount)	1,340	2,136	62.7%	37737	1,162	6.3%
37742 (Loudon/Blount)	1,205	2,109	57.1%	37742	1,038	5.6%
37802 (Blount)	433	593	73%	37802	198	1.1%
37885 (Monroe)	671	2,049	32.8%	37885	1,382	7.5%
Subtotal	20,087	29,378	68.4%	Subtotal	10,926	59.3%
Other Zip Codes	21,240	70,869	30%	Other Zip Codes	7,501	40.7%
Total	41,327	100,247	41.2%	Total	18,427	100%

Source: Tennessee Department of Health and CN1603-011Supplemental #1.

- Residents of the applicant's proposed primary 6-Zip Code primary service area are expected to account for approximately 59.3% of the 18,247 total ED visits at the proposed satellite ED facility in Year 1.
- Approximately 68.4% of the 29,378 total ED visits by residents of the 6-Zip Code PSA at hospital emergency departments took place at the applicant's main hospital ED in 2014.
- The 37801 zip code in Maryville (Blount County) is expected to account for the applicant's satellite ED's highest utilization (22%) by PSA residents in Year 1 of the project (2017).
- Zip Code 37803 also in Maryville (Blount County) is the second highest at 3,092 visits or 16.8% of BMH's total projected satellite ED visits in 2018.

**Patient Destination of Proposed 6 Zip Code Service Area by
Hospital,
Highest to Lowest, 2014**

Hospital							Total	% Of 6 Zip Code Total
	37737	37742	37801	37802	37803	37885		
Blount Memorial Hospital	1,340	1,205	9,505	433	6,933	671	20,087	68.4%
East Tennessee Children's Hospital	209	208	1,489	0	1,050	148	3,104	10.6%
University of Tennessee Memorial Hospital	135	162	810	53	525	58	1,743	5.9%
Fort Loudoun Medical Center	193	279	141	0	0	257	870	3.0%
Parkwest Medical Center	92	84	311	0	276	98	861	2.9%
Sweetwater Hospital Association	0	0	73	0	0	598	671	2.3%
Fort Sanders Regional Medical Center	54	0	274	0	168	0	496	1.7%
Turkey Creek Medical Center	0	0	173	0	135	0	308	1.1%
Tennova Healthcare	0	0	102	0	60	0	162	0.55%
Starr Regional Medical Center	0	0	0	0	0	98	98	0.33%
Other Hospitals*	113	171	257	107	209	121	978	3.3%
Total	2,136	2,109	13,135	593	9,356	2,049	29,378	100%

* Roll up of hospitals with 50 or fewer ER encounters.

Source: Tennessee Department of Health, Division of Policy, Planning and Assessment.

Hospital Discharge Data System, 2014. Nashville, TN.

The table above reflects the following:

- There were 29,378 total ED visits by residents of the 6 zip code PSA at Tennessee hospitals in 2014.
- Hospital EDs used the most by residents of the 6 zip code PSA in 2014 included: Blount Memorial Hospital (68.4% of 29,378 total PSA resident visits) and East Tennessee Children's Hospital (10.6% of 29,378 total PSA resident visits).
- If approved, the applicant estimates that residents of the 6 zip code PSA will represent 10,926 ED visits out of the projected 18,427 total ED visits at the proposed satellite ED in Year 1, or 60%.

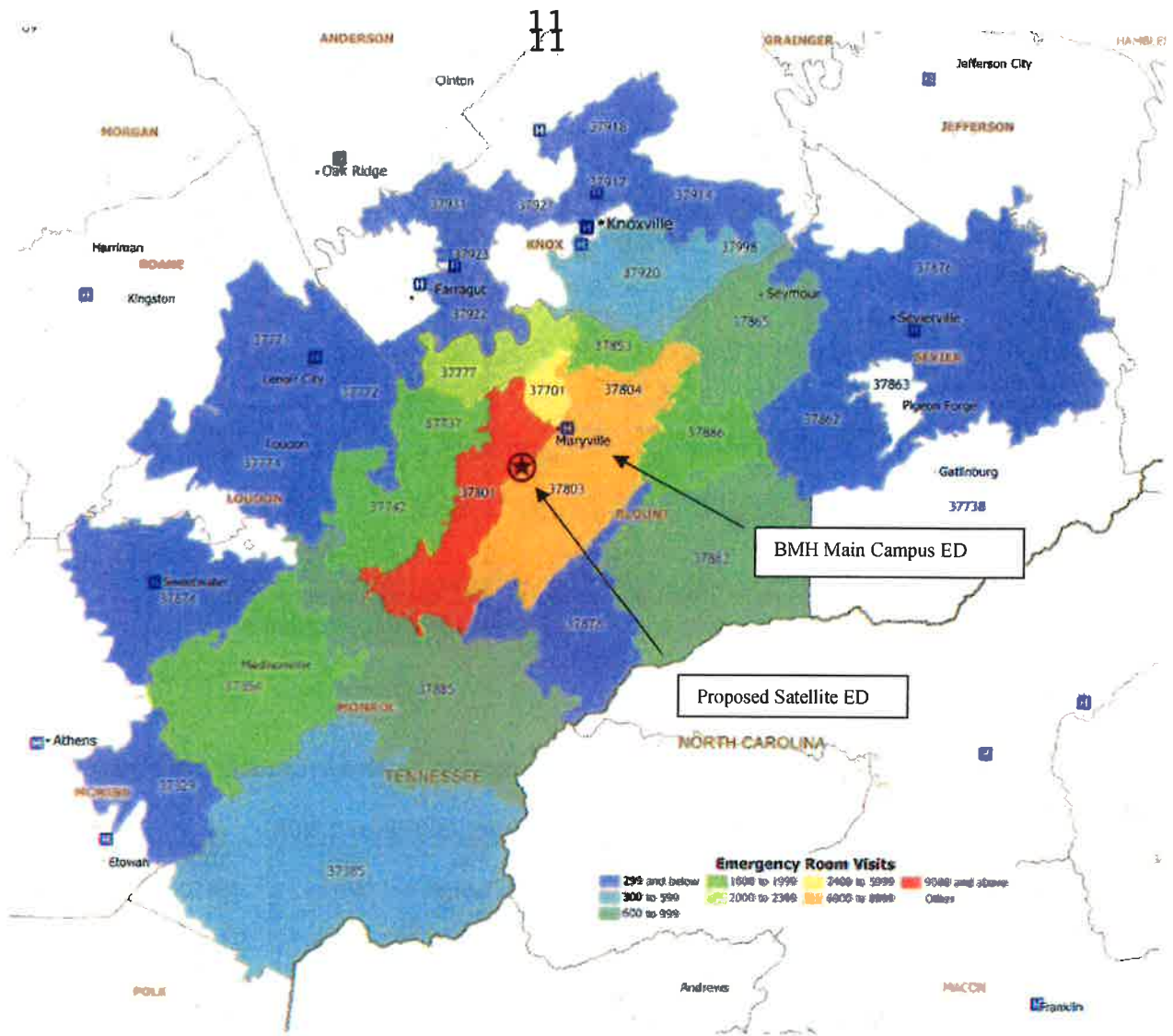
The following map illustrates the Blount Memorial Hospital's main campus ED 2014 patient origin which also includes the Satellite ED 6 ZIP proposed service area.

Blount Memorial Hospital

CN1603-011

June 22, 2016

PAGE 10



Source: Maptitude

The following is specific demographic data for the 6 Zip Code primary service area (PSA) using data from the U.S Census Bureau. Selected features of the demographics of the applicant's top 6 Zip projected Zip Code by volume are shown in the following table.

12
Top 6 Zip Code Service Area of Proposed Satellite ED

	37801	37803	37737	37742	37802	37885	Blount Co.	TN
Applicant's Patient Origin from PSA (Main ED-2014)	23% Ranked #1	16.8% Ranked #3	3.2% Ranked #6	2.9% Ranked #8	1.1% Ranked #14	1.6% Ranked #13		
2010 Population	25,124	31,668	5,785	5,837	**	5,067	123,010	6,346,105
Median Household Income (2010-2014 American Community Survey 5 yr. estimates)	\$44,021	\$50,649	\$56,115	\$51,370	**	\$42,949	\$46,518	\$44,621
Median Age	39.5	43.2	49.0	42.3	**	51.3	42.3	38.3
% Below Poverty Level	15.3%	12.1%	8.2%	16.7%	**	9.7%	14.4%	17.8

*Note: Sources; US Census Bureau- American Factfinder; TDH hospital discharge data system.

**No data available for ZIP Code 37802 at US Census Bureau- American Factfinder

Historical and Projected Utilization

The applicant's historical and projected utilization is shown in the table below:

Applicant's Emergency Department Utilization, 2013-Year 2 (2018)

BMH Emergency Department	2013	2014	2015	% Change '13-'15	2017 YR 1	2018 YR 2
Main Campus ED	55,539	51,209	54,461	-1.9%	43,373	43,398
Proposed Satellite ED					18,427	19,144
Total Visits	55,539	51,209	54,461		61,800	63,142
Rooms	27	27	27		41	41
Visits/Room	2,057/RM	1,897/RM	2,017/RM		1,507/RM	1,540/RM

Source: CN1603-011

The table above reflects the following:

- Utilization of the Main ED decreased by approximately 1.9% from 55,539 ED visits in 2013 to 54,461 total ED visits in 2015.
- By Year 2 of the proposed project, the applicant expects total BMH main ED visits to be at 43,398, a 21.8% decrease from the applicant's utilization of 55,539 ED visits in 2013.
- The applicant projects a 3.9% increase in the proposed Satellite ED's utilization from 18,427 in Year 1 (2017) to 19,144 in Year Two (2018).

- The combined utilization of the main ED and proposed satellite ED is expected to increase by approximately 2.8% from 61,800 total combined visits in 2017 to 63,142 visits (1,540 visits/room) in 2018.
- BMH's projected 27-room main ED utilization in Year 1 and Year 2 averages approximately 1,607/room.
- During ramp-up of the proposed 14-room satellite ED, projected utilization is 18,427 visits in Year 1 (1,316 visits/room) increasing to 19,144 visits in Year 2 (1,368 visits/room).

The following chart projects ED utilization by level of care in Year 1 of the Blount Memorial Hospital Main Campus and Satellite ED proposed project.

Blount Memorial Medical Center ED Utilization by Level of Care

Level of Care	Main ED	% of Total	Main ED Year 1	% of Total Yr. 1	Satellite ED	% of Total	Combined Year 1
	2016		Year 1		Year 1		
Level I	4,652	7.5%	3,618	8.0%	368	2.0%	3,082
Level II	7,379	11.9%	7,236	16%	1,659	9.0%	9,447
Level III	15,936	25.7%	11,759	26%	6,081	33%	18,745
Level IV	26,292	42.4%	16,734	37%	7,739	42%	23,921
Level V	7,752	12.5%	5,879	13%	2,580	14%	8,459
	62,011	100%	45,227	100%	18,427		63,654

Source: CN1603-011, Supplemental 1

- Level 1 corresponds to CPT code 99281 (lowest acuity patient), Level 2 (CPT Code 99282), Level 3 (CPT Code 99283), Level 4 (CPT Code 99284), while level 5 corresponds to (CPT Code 99285 - highest acuity patient)).
- The majority of patients (75%) of patients at the proposed satellite ED will receive Level III and Level IV care. Likewise, the main ED will treat level III and Level IV care will represent 63% of patients presenting to BMH's main ED in Year One.
- In the supplemental response the applicant noted there are no Urgent Care Centers located in the primary 6-ZIP code service area. Although, there are 3 urgent care centers located in the 3 County service area ranging from 21.3 to 34.6 miles from the proposed satellite site with only one verified by the applicant to be operational.
- Less severe and complex clinical conditions (Levels I and II) appear to account for approximately 11% of patient visits at the proposed satellite ED and 24% of patient visits at the main ED in Year 1.
- The applicant projects to provide more Level V Care (most complex) as a percentage of total at the proposed satellite ED (14%) than the main ED (13%) in Year One.

Blount Memorial Hospital

CN1603-011

June 22, 2016

PAGE 13

Staffing

The applicant's proposed direct patient care staffing in Year One includes the following:

Position Type	Current FTEs
Registered Nurses	10.45
Monitor Tech	4.2
CNA/EMT	4.2
Supervisor	4.2
Case Manager	1.0
CT Tech	4.0
Ultrasound Tech	4.0
Radiological Tech	4.0
MT	3.6
Lead Tech	1.0
MLT	0.5
Total	41.15

Source: CN1603-011

Medicare/TennCare Payor Mix

The overall payor mix projected for both the main campus ED and the proposed satellite ED in Year 1 is reflected in the following table.

Applicant's Historical and Projected Payor Mix

Payor Source	Main ED Gross Operating Revenue 2014	As a % of Gross Operating Revenue 2014	Main ED Gross Operating Revenue Year 1	As a % of Gross Operating Revenue Year 1	Satellite ED Gross Operating Revenue Year 1	As a % of Gross Operating Revenue
Medicare	\$10,125,884	40%	\$37,099,529	44%	\$14,328,835	40%
TennCare	\$7,341,266	29%	\$23,608,791	28%	\$10,388,406	29%
Commercial	\$5,316,089	21%	\$16,020,251	19%	\$7,880,859	22%
Self-Pay	\$2,531,471	10%	\$7,588,540	9%	\$3,223,988	9%
Total	25,314,709	100%	\$84,317,112	100%	\$35,822,088	100%

- TennCare- Charges at the satellite ED will equal \$10,388,406 in Year One representing 29% of total gross revenue.
- Medicare- Charges at the satellite ED will equal \$14,328,835 in Year One representing 40% of total gross revenue.

Blount Memorial Hospital

CN1603-011

June 22, 2016

PAGE 14

Projected Data Chart**Proposed Satellite ED**

The applicant projects \$35,822.00 in total gross revenue on 18,427 ED visits during the first year of operation and \$38,345,432 on 19,144 ED visits in Year Two (approximately \$2,003 per visit). The Projected Data Chart reflects the following:

- Net operating income less capital expenditures for the applicant will equal \$1,834,159 in Year One increasing to \$1,902,004 in Year Two.
- Net operating revenue after bad debt, charity care, and contractual adjustments is expected to reach \$7,093,905 or approximately 18.5% of total gross revenue in Year Two.
- Charity Care calculates to 1,075 ED visits in Year One and 1,217 ED visits in Year Two.

Blount Memorial Hospital (Total)

- The applicant projects \$1,523,120,000.00 in total gross revenue during the first year of operation (2017) and \$1,525,751,000 in Year Two (2018).
- Net operating income less capital expenditures for BMH will equal \$7,986,880 in Year 2018 increasing by approximately 136% to \$18,863,853 in Year 2019.

Charges

In Year One of the proposed project, the average proposed Satellite ED emergency room charges are as follows:

- The proposed average gross charge is \$1,944/ ED visit in 2018.
- The average deduction is \$1,574/ED visit, producing an average net charge of \$369/ED visit.

Historical Data Chart**Blount Memorial Emergency Department**

- Gross Operating Revenue was reported as \$25,971,300 in 2013, \$25,214,709 in 2014 and \$31,097,748 in 2015.
- Net Operating Income was reported as (\$294,534) FY2013, at \$761,249 in FY2014 and \$244,334 in FY2015.

Blount Memorial Hospital (Total)

- Gross Operating Revenue was reported as \$733,563,257 in 2013, \$786,071,356 in 2014 and \$850,584,128 in 2015.
- Net Operating Income was reported as (\$7,740,039) FY2013, at \$5,154,101 in FY2014 and \$6,016 in FY2015.

Blount Memorial Hospital

CN1603-011

June 22, 2016

PAGE 15

Project Cost

Major costs are:

- Construction Cost (including contingency), \$5,175,000, or 67% of the total cost.
- Moveable Equipment, \$1,904,894.00 or 24.2% of total cost.
- For other details on Project Cost, see the Project Cost Chart on page 22 of the application.

The total construction cost for the proposed hospital ED is \$250 per square foot. As reflected in the table below, the construction cost is between the 1st quartile cost of \$244.85 per square foot, and the median quartile of \$308.43 per square foot of statewide hospital construction projects from 2013 to 2015.

**Statewide
Hospital Construction Cost Per Square Foot
Years 2013-2015**

	Renovated Construction	New Construction	Total construction
1st Quartile	\$160.66/sq. ft.	\$244.85/sq. ft.	\$196.62/sq. ft.
Median	\$223.91/sq. ft.	\$308.43/sq. ft.	\$249.67/sq. ft.
3rd Quartile	\$297.82/sq. ft.	\$374.32/sq. ft.	\$330.50/sq. ft.

Source: HSDA Applicant's Toolbox

Please refer to the square footage and cost per square footage chart on page 10 of the application for more details.

Financing

A March 1, 2016 letter from Blount Memorial Hospital Chief Financial Officer Jonathan Smith attests that the applicant has sufficient cash assets to implement the project.

The applicant's audited financial statements for the period ending June 30, 2015 indicates \$4,808,547 in cash and cash equivalents, total current assets of \$34,327,295, total current liabilities of \$24,012,544 and a current ratio of 1.43:1.

Note to Agency members: Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Licensure/Accreditation

Blount Memorial Hospital is licensed by the Tennessee Department of Health and Joint Commission accredited. The Joint Commission accreditation is effective until October 24, 2018.

Corporate documentation, real estate lease, and detailed demographic information are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in three years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for other health care organizations in the service area proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME 6/7/2016

LETTER OF INTENT

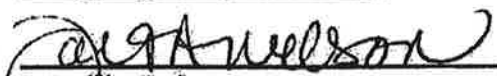
**LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY**

The Publication of Intent is to be published in the Daily Times which is a newspaper of general circulation in Blount County, Tennessee, on or before March 4, 2016 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that: Blount Memorial Hospital, Incorporated, a hospital facility, owned by: Blount Memorial Hospital, Incorporated, a not-for-profit corporation and governmental entity located at 907 E. Lamar Alexander Parkway, Maryville, Tennessee, and to be managed by: Blount Memorial Hospital, Incorporated intends to file an application for a Certificate of Need for the construction and establishment of a free standing Emergency Department at its existing property located at 2410 Highway 411 South, Maryville, TN 37801. The proposed free standing Emergency Department will operate as an extension of the existing hospital emergency department and will be operated under the hospital license of Blount Memorial Hospital. The proposed facility will consist of 17,250 gross square feet of new construction and will include fourteen emergency treatment rooms, including diagnostic capabilities, patient registration and wait areas, and staff support areas. The project does not involve additional inpatient beds, major medical equipment, or initiation of services for which a certificate of need is required. The total cost of the project including construction, site development, architect & engineering fees, contingencies, and equipment is estimated to be \$7,887,351.

The anticipated date of filing the application is March 8, 2016

The contact person for this project is Jane Nelson, Assistant Administrator who may be reached at : Blount Memorial Hospital, 907 E. Lamar Alexander Parkway, Maryville, Tennessee, 37804, (865) 981-2310


(Signature)

February 25, 2016
(Date)

Jnelson@bmnet.com
(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. 68-11-1607c(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Original

Blount Memorial
Hospital

CN1603-011

REC'D 11/12/99

Certificate of Need Application

To

Establish a Free-standing Emergency Department

Submitted by

Blount Memorial Hospital

907 E. Lamar Alexander Parkway

Maryville, TN 37804

Contact: Jane T. H. Nelson

865-981-2310

SECTION A:**APPLICANT PROFILE**

Please enter all Section A responses on this form. All questions must be answered. If an item does not apply, please indicate "N/A". **Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment.**

For Section A, Item 1, Facility Name must be applicant facility's name and address must be the site of the proposed project.

For Section A, Item 3, Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence, if applicable, from the Tennessee Secretary of State.

For Section A, Item 4, Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.

For Section A, Item 5, For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract.

Please describe the management entity's experience in providing management services for the type of the facility, which is the same or similar to the applicant facility. Please describe the ownership structure of the management entity.

For Section A, Item 6, For applicants or applicant's parent company/owner that currently own the building/land for the project location; attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements must include anticipated purchase price. Lease/Option to Lease Agreements must include the actual/anticipated term of the agreement and actual/anticipated lease expense. The legal interests described herein must be valid on the date of the Agency's consideration of the certificate of need application.

March 18, 2016**3:34 pm**1. Name of Facility, Agency, or InstitutionBlount Memorial Hospital, Inc.

Name

2410 Highway 411 South

Street or Route

Blount

County

Maryville

City

TN

State

37801

Zip Code

2. Contact Person Available for Responses to QuestionsJane T. H. Nelson

Name

Assistant Administrator

Title

Blount Memorial Hospital, Inc.

Company Name

jnelson@bmnet.com

Email Address

907 E. Lamar Alexander Parkway

Street or Route

Maryville

City

TN

State

37804

Zip Code

Employee

Association with Owner

865-981-2310

Phone Number

865-981-2333

Fax Number

3. Owner of the Facility, Agency or InstitutionBlount Memorial Hospital, Inc.

Name

865-981-2310

Phone Number

907 E. Lamar Alexander Parkway

Street or Route

Blount

County

Maryville

City

TN

State

37804

Zip Code

4. Type of Ownership of Control (Check One)

A. Sole Proprietorship _____

F. Government (State of TN or Political Subdivision) _____

B. Partnership _____

G. Joint Venture _____

C. Limited Partnership _____

H. Limited Liability Company _____

D. Corporation (for profit) _____

I. Other (specify) _____

E. Corporation (not-for-profit) X

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

March 18, 2016**3:34 pm****5. Name of Management/Operating Entity (If Applicable)****Not Applicable**

Name _____

Street or Route _____

County _____

City _____

State _____

Zip Code _____

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.****6. Legal Interest in the Site of the Institution (Check One)**

- | | | | |
|-------------------------|-------------------------------------|--------------------|-------|
| A. Ownership | <input checked="" type="checkbox"/> | D. Option to Lease | _____ |
| B. Option to Purchase | _____ | E. Other (Specify) | _____ |
| C. Lease of _____ Years | _____ | | |

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.****7. Type of Institution (Check as appropriate--more than one response may apply)**

- | | | |
|--|--|-------|
| A. Hospital (Specify) Acute Care Facility X | I. Nursing Home | _____ |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty | J. Outpatient Diagnostic Center | _____ |
| C. ASTC, Single Specialty | K. Recuperation Center | _____ |
| D. Home Health Agency | L. Rehabilitation Facility | _____ |
| E. Hospice | M. Residential Hospice | _____ |
| F. Mental Health Hospital | N. Non-Residential Methadone Facility | _____ |
| G. Mental Health Residential Treatment Facility | O. Birthing Center | _____ |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) | P. Other Outpatient Facility (Specify) | _____ |
| | Q. Other (Specify) | _____ |

8. Purpose of Review (Check) as appropriate--more than one response may apply)

- | | | | |
|--|-------------------------------------|---|-------|
| A. New Institution | _____ | G. Change in Bed Complement | _____ |
| B. Replacement/Existing Facility | _____ | [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] | |
| C. Modification/Existing Facility | _____ | | |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify) Free Standing ER X | <input checked="" type="checkbox"/> | H. Change of Location | _____ |
| E. Discontinuance of OB Services | _____ | I. Other (Specify) | _____ |
| F. Acquisition of Equipment | _____ | | |

March 18, 2016**Bed Complement Data****Please indicate current and proposed distribution and certification of facility beds: 3:34 pm**

		Current Beds		Staffed Beds	Beds Proposed	TOTAL Beds at Completion
		Licensed	*CON			
A	Medical	157	_____	90	_____	157
B	Surgical	94	_____	64	_____	94
C	Long-Term Care Hospital	_____	_____	_____	_____	_____
D	Obstetrical	12	_____	12	_____	12
E	ICU/CCU	25	_____	17	_____	25
F	Neonatal	_____	_____	_____	_____	_____
G	Pediatric	_____	_____	_____	_____	_____
H	Adult Psychiatric	8	_____	8	_____	8
I	Geriatric Psychiatric	_____	_____	_____	_____	_____
J	Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K	Rehabilitation	_____	_____	_____	_____	_____
L	Nursing Facility (non-Medicaid Certified)	76	_____	76	_____	76
M	Nursing Facility Level 1(Medicaid only)	_____	_____	_____	_____	_____
N	Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____	_____
O	Nursing Facility Level 2 (dually certified Medicaid/Medicare)	_____	_____	_____	_____	_____
P	ICF/MR	_____	_____	_____	_____	_____
Q	Adult Chemical Dependency	8	_____	8	_____	8
R	Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S	Swing Beds	_____	_____	_____	_____	_____
T	Mental Health Residential Treatment	_____	_____	_____	_____	_____
U	Residential Hospice	_____	_____	_____	_____	_____
	TOTAL *CON-Beds approved but not yet in service	380	_____	275	_____	380
10	Medicare Provider Number Certification Type	440011 Hospital				
11	Medicaid Provider Number Certification Type	0440011 Hospital				
12	If this is a new facility, will certification be sought for Medicare and/or Medicaid?	Yes				
13	<i>Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? YES. If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract. See next page.</i>					

March 18, 2016**3:34 pm**

Blount Memorial Hospital Certificate of Need Application - Section A

4. Ownership

Response: Blount Memorial Hospital will own and operate the proposed free-standing Emergency Department as an extension of its existing Emergency Department. There is no other ownership involved with this project.

8. Purpose of Review

Response: Blount Memorial Hospital proposes the initiation of Health Care Service as defined in TCA 68-11-1607(4) to add a free-standing Emergency Department as an extension of its existing Emergency Department.

13. *Identify all TennCare Managed Care Organization/Behavioral health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants?*

Response: Yes

If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

Response: Blount Memorial Hospital participates in all MCO's that operate in our service area including:

Blue Cross BlueCare MCO
Cover TN
TennCare Select
United Health Care's Community Health Plan
Amerigroup

We have no relationship with out of area TennCare MCO's except for TennCare Select and Cover TN that serves statewide.

NOTE: *Section B* is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. *Section C* addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

RESPONSE:

Blount Memorial Hospital is seeking Certificate of Need approval to establish a free-standing Emergency Department located on existing hospital property, 2410 US Highway 411 south, Maryville, TN 37801 and consisting of 7.18 acres. The proposed free standing emergency department will be owned and operated as an extension of the existing Emergency Room department located at the hospital's main campus at 907 E. Lamar Alexander Parkway, Maryville, TN 37804 and licensed under the Hospital's license. The proposed facility will include the 14 treatment rooms, support areas, wait areas, decontamination area, diagnostic rooms, space to observe patients, and shelved space for future use. The treatment rooms would be generally designated as follows:

- 2 Trauma rooms
- 2 Seclusion rooms
- 1 Isolation room
- 9 general treatment rooms

In addition, the free standing emergency department facility will have diagnostic capabilities including CT, ultrasound, x-ray, and laboratory services. An area will also be designated as a patient observation area that will hold recliners and have monitoring capability.

The proposed facility will consist of 17,250 gross square feet of new construction and the total cost of the project is estimated to be \$7,887,351. The cost per square foot of this new construction is projected to be approximately \$250.

Staffing of the service by the hospital is described in more detail in later sections of the application but will consist of RN's, monitor techs, certified nurse assistants, emergency medical techs, lab techs, radiological techs, registration personnel, case manager, supervisors and a shared Director who will cover both sites. Recruitment efforts are done with a nurse recruiter in conjunction with Human Resource staff and the Emergency Room director.

Physician coverage will be provided by Align, MD, a contract emergency physician service that currently provides emergency physicians in the hospital's emergency department.

The need for the service is established from several standpoints. First, the hospital's emergency department is projected to treat 60,000 + patients this Fiscal year (July 1- June 30), which represents a 9.1% increase from the prior Fiscal year and a 16.8% increase from two years ago. This corresponds to 2,222 visits per room per year. With this growth in emergency room visits, we embarked on a comprehensive effort two years ago with a new Emergency Physician group to streamline our processes in the ER to maximize patient visits and to reduce patient wait time. Our main campus ER has 27 beds available for treatment and in mid year of 2013 our average door to doctor time was 102 minutes, with a median length of stay of 295 minutes for patients who were discharged, and 360 minutes for patients who were admitted. As of January, 2016 our average door to doctor time is 21 minutes, with a median length of stay of 148 minutes for patients who were discharged, and 239 minutes for patients who were admitted. Despite our efforts in improved patient flow, with increased volume we find that we are now faced with the need to expand our ER bed capacity. However, given the limitation of space on our main campus, we cannot expand our main campus ER without incurring serious disruption – both in the ER itself and in adjacent hospital areas – and excessive cost. To expand the existing ER would adversely affect the adjacent Radiology department, disrupt service for at least two years since renovation and additions would have to take place while operating, and cost more than the free standing option. Assuming we did opt for this on-campus expansion, the costs are estimated to be \$8,801,291 plus equipment, not to mention the interruption in service it would cause for over a two-year period.

In Blount County and surrounding counties, emergency room visits have increased 4.5% to 9% from 2009 to 2014. Therefore, even if use rates remain constant, with growing population and aging population, ER visits will continue to grow. Blount Memorial Hospital needs expanded capacity to meet that growing need.

The project will be funded with existing funds. The financial feasibility for the first two years of operation shows net operating income of \$1,834,129 and \$1,902,004 respectively for years one and two of operation.

The proposed free standing emergency department will contribute to the orderly development of healthcare in the service area by relieving pressure on our main campus ER and by providing emergency services in a location that is more convenient for some existing patients of Blount Memorial hospital. The project will not adversely affect other providers because the patients treated in the new free-standing ED will be patients who otherwise would have been treated on the main campus of Blount Memorial Hospital.

- II. Provide a detailed narrative of the project by addressing the following items as they related to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

RESPONSE:

As shown in the facility drawing in Appendix B – II A, the total gross square footage for the satellite emergency department facility will be 17,250 square feet, and will include a wait area, registration area, triage space, nurse stations, treatment rooms, trauma capabilities, rooms for seclusion and for isolation, a decontamination area, an observation room in the event patient conditions necessitate observation before considering discharge, diagnostic space for a CT, ultrasound unit, x-ray unit, and lab, staff areas and support areas for storage, linen and other needed supplies. In addition, space will be shelled for future use. The Emergency Department will be located in a single story building and will operate 24hours/7days a week.

The construction cost per square foot is estimated to be \$250. Adding site development and architectural and engineering fees, the cost per square foot is estimated to be \$293.99. *Refer to the Square Footage & Cost per square Foot Chart of this application.* Utilizing HSDA's 'Applicant Tool Box' data, our estimated cost per square foot for new construction is in the median range listed at \$259.66/square foot for hospital's in the tool box. If we assume that the 'Applicant Tool Box' includes construction, site prep and architect and engineering fees then the cost per square foot for this project is comparable to the 3rd quartile for new construction listed at \$296.52/square foot for hospitals. Other CON's submitted this past year are difficult to compare as some include renovated space along with new construction. The cost per square foot has ranged from \$288 for renovated areas to \$262 for new

construction but those projects also included non-clinical areas such as classrooms that are less costly than patient areas with monitoring equipment and diagnostic areas.

The Remaining Page Left Intentionally Blank.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

RESPONSE:

There is no change in the hospital's bed complement associated with this project.

- C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

RESPONSE:

None of the Services listed in this section pertain to this application.

- D. Describe the need to change location or replace an existing facility

RESPONSE:

Not Applicable.

- E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):
 - a. Describe the new equipment, including:

1. Total cost ;(As defined by Agency Rule).
2. Expected useful life;
3. List of clinical applications to be provided; and
4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

2. For mobile major medical equipment:

- a. List all sites that will be served;
- b. Provide current and/or proposed schedule of operations;
- c. Provide the lease or contract cost.
- d. Provide the fair market value of the equipment; and
- e. List the owner for the equipment.

3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

RESPONSE:

This project does not include major medical equipment as defined in this section.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. Size of site (in acres)
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highways that cross or border the site.

RESPONSE:

The plot plan for the proposed free standing emergency room is located in Appendix B- III A of this application.

(B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

RESPONSE:

The proposed free standing emergency department will be located on Highway 411 – a major route that connects Maryville with Loudon and Monroe counties to the southwest extending as far as Atlanta, Georgia and beyond, and Sevier County to the northeast. Traffic counts along that stretch of 411 extending into Maryville range from 11,000 to 32,760 on a daily basis. Highway 411 and Highway 129 (aka Alcoa Highway) join approximately 1 mile north of the site. Blount Memorial Hospital has off-campus locations in Alcoa and Maryville that are north of the hospital, and a physician practice in Vonore (Monroe County), but this is the first in this section (western portion) of Blount County. The second Wal-Mart of Blount County is located across the street from the proposed site that resulted in the placement of a traffic light. Since Highway 411 is a major thoroughfare the proposed ED will be easily accessible and convenient. Public transportation in the county is limited to ETHRA (East TN Human

Resource Agency). ETHRA provides transportation Monday through Friday, 8:00 till 4:30 pm, and while medical visits are priority, it is necessary to call 72 hours in advance to arrange for transportation. P2Places Transportation website indicates that it operates 24/7 for non-emergent medical transport for certain TennCare MCO recipients and Veterans Affairs.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

RESPONSE:

A floor plan of the facility that shows the layout of the proposed emergency department is included in Appendix B – II A.

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

RESPONSE:

Not applicable.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

RESPONSE:

In terms of the State of Tennessee Health Plan's Five Principles for Achieving Better Health, and Tennessee's Health: Guidelines for Growth, the proposed free standing Emergency Room has some direct and indirect impact. Specifically,

- (1) **Healthy Lives** – The proposed free-standing ER will provide emergent care and our staff will treat many of the health problems outlined in the core measures in the State Health Plan for which our State ranks poorly. Some of these core areas that will be treated in the emergency room include cardiovascular related illness, behavioral related illness, drug related incidents, and stroke to name a few that are considered some of the worst rankings in the State of TN compared to the rest of the country. In addition, our hospital's foundation has formed a Community Health Initiative in partnership with the Hospital, Blount County Health Department and Blount Chamber and the teams work daily with law enforcement, the court system, mental health advocates and a variety of local agencies to address Teen Pregnancy, domestic violence, substance abuse, suicide prevention and mental health awareness. In addition, there is a team focused on the reduction of childhood obesity and promoting physical activity.
- (2) **Access to Care** – The proposed free-standing Emergency Department will help improve access by expanding emergency department capacity both in terms of additional treatment rooms, but also by providing a new convenient location. Blount Memorial Hospital is a not-for-profit institution that provides extensive charity care and is contracted with all TennCare MCO's that operate in our service area. The hospital wrote off \$38.3 million in charity care last fiscal year. TennCare recipients represent 29% of the patients who utilize our Emergency Room.
- (3) **Economic Efficiencies** – With the need to establish additional emergency room capacity, we have determined that establishing the free standing emergency department is more economical than attempting to expand at its current location. The cost of constructing (construction, site prep and architect and engineering fees, contingency) the new free standing emergency room is estimated to be \$5,933,750 (does not include equipment) versus expanding on site at a comparative construction cost of \$8,801,291.
- (4) **Quality of Care** – Blount Memorial Hospital is fortunate to work with a dedicated medical staff in which the majority (96%) practice exclusively at the hospital and who are actively engaged in quality improvement efforts. Align, MD, our Emergency Room physician group, has worked diligently with us to improve the patient flow and response time in our emergency room, and they actively participate in our efforts to maintain state of the art stroke technology and treatments that begin in the ER, heart attack treatment including first-contact-to-balloon time (measuring the minutes from first medical contact to when a blocked artery is opened to restore blood flow) averaging 30 minutes faster than the national standard, and a sepsis alert effort that puts in place protocols to address

the septic patient in a timely and meaningful manner. The Hospital is Joint Commission accredited, and has specialty Joint Commission accreditations for stroke, total knees, and total hips. We have had the distinction of being the only hospital in East TN to be ranked in the top 5% of the nation for clinical performance and have been recognized for coronary care, GI Procedures, general surgery, pulmonary care and stroke care to name a few.

- (5) **Workforce – Blount Memorial Hospital offers tuition assistance and reimbursement for clinical certifications for its workforce. In addition, we provide on the job training and mentoring programs for both internal staff and external students. According to an economic impact study conducted by Mark Burton, research associate professor in the University of Tennessee’s Department of Economics, the hospital is directly and indirectly responsible for over 15% of Blount county’s employment and more than 20% of all Blount County incomes, spurring more than \$536 million in incomes within the county.**

(a) Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

RESPONSE:

The Certificate of Need Categories does not include a specific section for free standing/satellite ER facilities, but could be considered under the criteria for “Construction, Renovation, Expansion, and Replacement of Health Care Institutions” and is addressed below.

“Construction, Renovation, Expansion, and Replacement of Health Care Institutions” criteria

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

RESPONSE: Not applicable. The proposed free standing ER does not include the addition of beds, or new services or medical equipment as defined in CON criteria.

2. For relocation or replacement of an existing licensed health care institution:
 - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

RESPONSE: Not applicable.

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

RESPONSE:

Not applicable as this project does not include renovation and relocation.

3. For renovation or expansion of an existing licensed health care institution:
 - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

RESPONSE:

Although this project does not include renovation, it does represent expansion of an existing licensed department of the hospital, the Emergency Department.

In Fiscal Year 2014, our Emergency Room visits were 51,209. Although Fiscal Year 2015 we had 54,461 ER visits, by the end of calendar year 2015 the total was 57,832. In this Fiscal Year (2016), we are projecting over 60,000 visits, representing at least a 17.2% increase since 2014. As indicated earlier, through process improvement, and by contracting with a new Emergency Room physician group we have reduced wait times significantly. Nevertheless, we are now in a position where we must expand the availability of emergency room beds to meet demand. Based on a standard of 1,500 visits per treatment room per year from the American College of Emergency Physicians, our current volume alone is sufficient to support 40 emergency treatment rooms. We currently have 27 ED beds, of which two are isolation beds and four are seclusion beds. As a result, we consistently have overflow in six beds in our hallways. With only 27 beds, a more reasonable level of visits would approximate 40,500.

Several factors have contributed to the growth in Emergency Department volume. Blount Memorial Hospital is a nationally certified stroke program through the Joint Commission. we offer state-of-the art heart attack treatment including a first-contact-to-balloon time averaging 30 minutes faster than the national standard. (In fact, Blount Memorial was the first hospital in the State to obtain a CON for a cardiac catheterization lab without an Open Heart program.) We have a Level III trauma center and a community –oriented emergency medical team with board certified emergency medicine physicians. Finally, we offer shorter wait times to be seen and treated.

According to Tennessee Hospital Association patient origin data, ER Visits in our service area including Blount, Loudon and Monroe Counties that are closest to the 411 site have grown 6.1% between the years of 2010 and 2014. Patients from these three counties represent 91% of the patient visits to our Emergency Department.

Utilizing ER use rates for the areas we serve, would expect the proposed free-standing ED to capture a portion of the patients that currently utilize the hospital's main campus ED. This would allow relief of the volume we currently experience that necessitates patients having to lie in stretchers in the halls of the Emergency Department. In addition, we project the site would help capture new volume attributable to population growth and an aging population in the area due to the convenience it offers to those who reside nearby. Specifically, we project the following volumes during the first two years of the project:

Projected Volume in the Proposed Free-Standing Emergency Department

	2018	2019
<u>Year</u>	<u>Year 1</u>	<u>Year 2</u>
Blount County Population	136,505	138,116
Projected ER Visits	67,584	68,381
<u>Projected ER Visits @ 411:</u>		
TOTAL BLOUNT	13,893	14,413
Monroe County Population	49,048	49,559
Projected ER Visits	31,999	32,332
<u>Projected ER Visits @ 411:</u>		
TOTAL MONROE	3,174	3,319
Loudon County Population	56,118	57,017
Projected ER Visits	33,564	34,102
<u>Projected ER Visits @ 411:</u>		
TOTAL LOUDON	1,360	1,412
Total Projected Volume @ 411	18,427	19,144
Projected New Vol. at Main campus ER	45,227	45,784

Source: Population Data – University of TN Center for Business & Economic Research, The Haslam College of Business; Market Data - THA Market IQ Data Base

With the addition of the free-standing emergency department, we will have two functioning Emergency Department capabilities to better manage the volume of ER cases.

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

RESPONSE:

This project does not include expansion of an existing physical site.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

RESPONSE:

The hospital purchased the 411 property in 2008 as part of our strategic planning efforts to locate services in this section of our home county where we did not have facilities.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 ½" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

RESPONSE:

Blount Memorial's Emergency Department treats individuals from Blount, Loudon, Monroe, Sevier, Knox, other TN counties, and out of State residents. For purposes of this project, given its location on 411, we assumed the population closest to the new site would represent the largest base of population served, hence we did not include individuals from other outlying areas that we also serve in our hospital based emergency room. Please refer to a county level map of the State of Tennessee in Appendix C – Need # 3.

4.A: Describe the demographics of the population to be served by this proposal.

RESPONSE:

Included in Appendix C- Need # 4 A, are current and population projections for Blount, Loudon, and Monroe Counties by age groups obtained from the University of TN, Center for Business & Economic Research, the Haslam College of Business. According to this source, Blount County's 2016 total population is estimated at 133,236, representing a growth of 8.3% since 2010, and is expected to grow 5% over the next four years. 19.7% of Blount's population is sixty-five plus years of age, and in 2020 this age group is expected to represent 22% of the population as a result of the 'baby boomers' and increased life expectancy. The breakdown by race shows that 3% of the county's population is Black, 3% are Hispanic, .8% is Asian, .4% is American Indian/Alaskan native, and 92.8% is White and other. Fifty-one percent of the population is female and 48.4% is male.

Comparatively, Loudon County's 2016 population is estimated at 54,261, representing a growth of 11.7% since 2010, and is expected to grow 6.7% over the next four years. 27.8% of Loudon County's population is sixty-five plus years of age, and in 2020 this age group is expected to represent 30.9% of the population as a result of the 'baby boomers' and increased life expectancy. The breakdown by race shows that 1.4% of the population is Black, 7.5% is Hispanic, .4% is American Indian/Alaskan native, .7% is Asian, and 90% is White and other. 51.1% of the population is female, and 48.9% is male.

According to the same source, Monroe County's 2016 total population is estimated at 47,980, representing a growth of 7.8% since 2010, and is expected to grow 4.3% over the next four years. 21.7% of Monroe's population is sixty-five plus years of age, and in 2020 this age group is expected to represent 24.7% of the populations as a result the 'baby boomers' and increased life expectancy. The breakdown by race shows that 2.3% of the county's population is Black, 3.5% is Hispanic, .5% is Asian, .6% is American Indian/Alaskan native, and 93.1% is White and other. 50.5% of the population is female and 49.5% is male.

In terms of the TennCare population, the TN Department of Health, TennCare Bureau statistics indicated that approximately 15% of Blount County's population are TennCare recipients, 15% in Loudon are TennCare recipients, and 20.9% of the population in Monroe

County are TennCare recipients. The U.S. Census Bureau data shows that the population percentage who are below poverty for each county is 14.0%, 14.3%, and 19.4% respectively for Blount, Loudon, and Monroe Counties. The Median income levels in 2010 dollars according to the US Census Bureau data are \$41,736 for Blount County, \$47,206 for Loudon County, and \$35,833 for Monroe County.

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

RESPONSE:

The State of Tennessee ranks 43rd in the Nation in terms of poor health rankings according to America's Health Rankings 2015 Report. Like the State, our communities have a high incidence of obesity, diabetes, smoking, drug use, and poor mental health days. As a component of the hospital, the free-standing emergency department will accept all individuals regardless of ability to pay, plus the hospital participates in all local and state-wide TennCare MCO's, and the major Medicare Advantage programs.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

RESPONSE:

Not applicable.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project **utilization**. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE:

Blount Memorial Hospital ED visits for the past three fiscal years are as follows:

	For Fiscal Years Ending June 30,		
	<u>FY '13</u>	<u>FY'14</u>	<u>FY'15</u>
Emergency Visits	55,539	51,209	54,461

**Projected Volumes at BMH ED and Free-Standing ED
For**

First two Years following Completion

	<u>Year 1</u>	<u>Year 2</u>
Free-Standing ER Visits	18,427	19,144
BMH Main Campus ED	43,373	43,398

Projections for the Free-Standing ED were made on the assumption that the ED Use Rates in the three county area would be consistent for projected time period. The use rates, per THA Market IQ data, for the three county area are:

Emergency Room Use Rates/1000 Population

<u>Blount County</u>	<u>Monroe County</u>	<u>Loudon County</u>
495.1/1000	652.4/1000	598.1/1000

These rates were applied to the projected populations in each county, and the existing market share of these respective counties or zip codes were applied. It was assumed that a portion of the hospital-based ER visits would move to the new site ranging from 15% to 50% of the visits from select areas. In addition, based on population growth and an aging population, residents from these areas would also utilize this facility due to its convenient location. These figures are presented in Section C – Need under Item # 1 b. and are repeated below:

Projected Volume in the Proposed Free Standing Emergency Department

<u>Year</u>	<u>2018 Year 1</u>	<u>2019 Year 2</u>
Blount County Population Proj.	136,505	138,116
Projected ER Visits	67,584	68,381
<u>Projected ER Visits @ 411:</u>		
TOTAL BLOUNT	13,893	14,413
Monroe County Population	49,048	49,559
Projected ER Visits	31,999	32,332
<u>Projected ER Visits @ 411:</u>		
TOTAL MONROE	3,174	3,319

	42	
Loudon County Population	56,118	57,017
Projected ER Visits	33,564	34,102
<u>Projected ER Visits @ 411:</u>		
TOTAL LOUDON	1,360	1,412
Total Projected Volume @ 411	18,427	19,144

In this analysis, it is assumed that 38% of the existing patients from Maryville zip codes 37801, 37802, and 37803 move from the hospital-based ED to the 411 site, and 50% will move to the 411 site from Friendsville area. In the Monroe County population, it is assumed that 50% of the population we already serve at the hospital will shift to the 411 site due to convenience of its location. In Loudon, we assumed that 50% of the residents who currently uses our ER will shift to this site for the convenience. Additional visits are attributable to a growing and aging population and convenience of the new location. Blount Memorial Hospital's Emergency Department market share of the three county area was 37% in 2014, 39% for one-half year in 2015, and is projected to be 42% in 2018.

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee).

RESPONSE:

The cost of new construction per square foot for the free-standing ED is estimated to be \$250 compared to other free-standing ED applications that range from \$262 to \$288 for new and renovated spaces. *Please refer to the Project Costs Chart on the next page.*

- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

RESPONSE:

Not applicable.

- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment, federal, state, and local taxes and other government assessments; and installation

PROJECT COST CHART

A. Construction and equipment Acquired by purchase:

1. Architectural & Engineering Fees	\$ 258,750
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$ 31,000
3. Acquisition of Site	\$ 0
4. Preparation of Site	\$ 500,000
5. Construction Costs	\$ 4,312,500
6. Contingency Fund	\$ 862,500
7. Fixed Equipment	\$ 0
8. Moveable Equipment (List all equipment over \$50,000) SEE NEXT PAGE	\$ 1,904,894
9. Other (Specify) _____	\$ 0

B. Acquisition by Gift, donation, or lease:

1. Facility (inclusive of building and land)	\$ 0
2. Building only	\$ 0
3. Land only	\$ 0
4. Equipment (Specify) _____	\$ 0
5. Other (Specify) _____	\$ 0

C. Financing Costs and Fees:

1. Interim Financing	\$ 0
2. Underwriting Costs	\$ 0
3. Reserve for One Year's Debt Service	\$ 0
4. Other (Specify) _____	\$ 0

D. Estimated Project Cost

(A + B + C)

\$ 7,869,644

E. CON Filing Fee

\$ 17,706.70

F. Total Estimated Project Cost

(D + E)

\$ 7,887,351

#B 4 from Project Cost ChartEquipment included in the "Moveable Equipment" amount on the Project Cost Chart

Laboratory Equipment	\$ 86,954
----------------------	-----------

Radiology:

- | | |
|------------------------------------|-------------|
| - CT - \$650,000 | |
| - Ultrasound - \$130,000 | |
| - Digital x-ray - \$200,000 | |
| - Portable X-ray - \$37,000 | |
| - Tech/Rad workstations - \$34,000 | |
| Total | \$1,051,000 |

Computers/carts/workstations/PACS View

Kronos Clock/Network equipment/wiring/phone

System/software	\$ 263,690
-----------------	------------

Exam Room set up/Furniture	\$ 503,250
----------------------------	------------

TOTAL MOVEABLE EQUIPMENT COST	<u>\$ 1,904,894</u>
--------------------------------------	----------------------------

Continuation RESPONSE from Economic Feasibility # 1:

- charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

RESPONSE:

The fixed and moveable equipment costs are expected to be \$ 1,904,894 and include the following items:

Lab:

- Hematology cell count
- Blood Bank – Monitoring Refrigerator
- Microbiology – Strep A Ag
- Electronic simulator
- Evoqua Water System
- Refrigerator & smaller freezer
- Small benchtop centrifuge
- Interface /barcode printer/scanner for Sunquest Lab system
- Total - \$86,954

Radiology:

- CT
- Ultrasound
- Digital x-ray
- Portable x-ray
- Workstations for techs/Radiologists
- Total - \$1,051,000

Computers/software/wiring/workstations - \$263,690

Exam room set-up - \$364,000

Furniture - \$139,250

TOTAL- ALL FIXED AND MOVEABLE EQUIPMENT COSTS- \$1,904,894

- For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

RESPONSE:

All construction related costs are provided by *Cooper Architecture* firm. Projected costs are included on the Project Costs Chart.

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility – 2*).

RESPONSE:

___ E. Cash Reserves – Appropriate documentation from Chief Financial Officer Please refer to Appendix C, Attachment C, Economic Feasibility – 2, which has a letter from Blount Memorial Hospital's Chief Financial Officer, Mr. Jonathan Smith verifying that we have cash reserves for the project.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar project recently approved by the Health Services and Development Agency.

RESPONSE:

The construction cost of the project including construction, architectural and engineering fees, is expected to be \$7,838,644. The construction costs are comparative to other similar projects submitted to Health Services and Development Agency as listed on the "Applicant's Tool Box". Specifically, the Hospital Construction Cost Per Square Foot listed in the "Applicant's Tool Box" lists the Median cost per square foot for new construction at \$259.66 and the 3rd Quartile cost per square foot for new construction at \$296.52. The comparative costs per square foot for this project are as follows:

Construction cost/square Foot	\$ 250.
Construction & Site Preparation/Square Foot	\$ 278.99
Construction & Site Preparation & A & E Fees/Square Foot	\$ 293.99
Construction & Site Prep & A & E Fees & contingency/Square Foot	\$ 343.99

There are no clear data comparisons for the equipment we will need for the proposed free standing emergency room.

4. Complete Historical and Projected Data Charts on the following two pages – **Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart request information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the **Proposal Only** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

RESPONSE:

The Historical Data Chart and the Projected Data Charts are on the next two pages of this Certificate of Need. The historic data only reflects revenue from the ER level of treatment and does not include ancillary revenue as that revenue is placed in the respective ancillary department and cannot be distinguished from past data.

The Remaining Page left Intentionally Blank

March 18, 2016**3:34 pm****HISTORICAL DATA CHART**

Blount Memorial Emergency Department

Corrected

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal years begins in July (Month).

	<u>Year '13</u>	<u>Year '14</u>	<u>Year '15</u>
A. Utilization Data (Specify unit of measure)ER Visits	55,539	51,194	54,502
B. Revenue from Service to Patients			
1. Inpatient Services	\$ 0	\$ 0	\$ 0
2. Outpatient Services	\$ 0	\$ 0	\$ 0
3. Emergency Services	<u>\$25,971,300.</u>	<u>\$25,314,709.</u>	<u>\$31,097,478</u>
4. Other Operating Revenue (Specify) _____	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Gross Operating Revenue	<u>\$25,971,300</u>	<u>\$25,214,709</u>	<u>\$31,097,478</u>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$18,527,146	\$18,376,480	\$22,663,842
2. Provisions for Charity Care	\$ 1,579,834	\$ 1,311,165	\$ 1,641,947
3. Provisions for Bad Debt	<u>\$ 410,347</u>	<u>\$ 484,122</u>	<u>\$ 572,194</u>
Total Deductions	<u>\$20,517,327</u>	<u>\$20,171,767</u>	<u>\$24,877,983</u>
NET OPERATING REVENUE	\$ 5,453,973	\$ 5,042,942	\$ 6,219,495
D. Operating Expenses			
1. Salaries & Wages \$ Benefits	\$ 4,946,478	\$ 4,951,602	\$ 4,905,150
2. Physician's Salaries & Wages	\$ 0	\$ 0	\$ 0
3. Supplies	\$ 503,900	\$ 507,874	\$ 534,265
4. Taxes	\$ 0	\$ 0	\$ 0
5. Depreciation	\$ 195,655	\$ 185,957	\$ 307,133
6. Rent	\$ 0	\$ 0	\$ 0
7. Interest, other than Capital	\$ 0	\$ 0	\$ 0
8. Management Fees:			
a. Fees to Affiliates(Medical Director fee)	\$ 0	\$ 0	\$ 0
b. Fees to Non-Affiliates	\$ 0	\$ 0	\$ 0
9. Other Expenses (Purch.Maint, cell phones, Office supplies, linen, cleaning, travel, misc.	<u>\$ 102,474</u>	<u>\$ 158,758</u>	<u>\$ 228,613</u>
Total Operating Expenses	<u>\$ 5,748,507</u>	<u>\$ 5,804,191</u>	<u>\$ 5,975,161</u>
E. Other Revenue (Expenses) – Net	\$ 0	\$ 0	\$ 0
NET OPERATING INCOME (LOSS)	<u>(\$ 294,534)</u>	<u>(\$ 761,249)</u>	<u>\$ 244,334</u>
F. Capital Expenditures			
1. Retirement of Principal	\$ 0	\$ 0	\$ 0
2. Interest	\$ 0	\$ 0	\$ 0
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	<u>(\$ 294,534)</u>	<u>(\$ 761,249)</u>	<u>\$ 244,334</u>

March 18, 2016**3:34 pm****HISTORICAL DATA CHART**

Total Hospital

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal years begins in July (Month).

	<u>Year '13</u>	<u>Year '14</u>	<u>Year '15</u>
A. Utilization Data (Specify unit of measure)ER Visits	55,539	51,194	54,502
B. Revenue from Service to Patients			
1. Inpatient & Outpatient Services	\$675,946,721	\$722,301,285	\$778,075,653
2. Emergency Services	<u>\$ 25,971,300</u>	<u>\$ 25,314,709</u>	<u>\$ 31,097,478</u>
3. Other Operating Revenue (MSO, Wellness, other)	<u>\$ 31,645,236</u>	<u>\$ 38,455,362</u>	<u>\$ 41,410,997</u>
Gross Operating Revenue	<u>\$733,563,257</u>	<u>\$786,071,356</u>	<u>\$850,584,128</u>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$474,980,352	\$514,382,294	\$564,165,442
2. Provisions for Charity Care	\$ 40,977,634	\$ 37,564,748	\$ 38,331,218
3. Provisions for Bad Debt	<u>\$ 10,746,645</u>	<u>\$ 12,854,236</u>	<u>\$ 14,806,798</u>
Total Deductions	<u>\$526,704,631</u>	<u>\$564,801,278</u>	<u>\$617,303,458</u>
NET OPERATING REVENUE	<u>\$206,858,626</u>	<u>\$221,270,078</u>	<u>\$233,280,670</u>
D. Operating Expenses			
1. Salaries & Wages \$ Benefits	\$129,281,906	\$133,467,847	\$137,642,539
2. Physician's Salaries & Wages	\$ 0	\$ 0	\$ 0
3. Supplies	\$ 32,045,776	\$ 34,169,470	\$ 35,875,833
4. Taxes	\$ 0	\$ 0	\$ 0
5. Depreciation	\$ 13,288,931	\$ 16,152,257	\$ 17,225,398
6. Rent	\$ 2,808,918	\$ 2,981,710	\$ 2,615,620
7. Interest, other than Capital	\$ 3,705,090	\$ 2,220,004	\$ 2,220,004
8. Management Fees:			
a. Fees to Affiliates(Medical Director fee)	\$ 0	\$ 0	\$ 0
b. Fees to Non-Affiliates	\$ 0	\$ 0	\$ 0
9. Other Expenses (maint., utilities, marketing)	<u>\$ 33,301,872</u>	<u>\$ 36,463,998</u>	<u>\$ 37,109,440</u>
Total Operating Expenses	<u>\$214,432,493</u>	<u>\$225,455,286</u>	<u>\$232,688,834</u>
E. Other Revenue (Expenses) – Net	\$ (166,172)	\$ 9,339,309	\$ (585,820)
NET OPERATING INCOME (LOSS)	<u>(\$ 7,740,039)</u>	<u>\$ 5,154,101</u>	<u>\$ 6,016</u>
F. Capital Expenditures			
1. Retirement of Principal	\$ 0	\$ 0	\$ 0
2. Interest	\$ 0	\$ 0	\$ 0
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	<u>(\$ 7,740,039)</u>	<u>\$ 5,154,101</u>	<u>\$ 6,016</u>

Projected Data Chart
Free-Standing Emergency Department

Give information for the two (2) years following the completion of this proposal. The Fiscal Year begins in July.

	Year 1	Year 2
A. Utilization Data (Specify unit of measure) ER Visits	<u>18,427</u>	<u>19,144</u>
B. Revenue from Services to Patients		
1. Inpatient Services	\$ 0	\$ 0
2. Outpatient Services	\$ 0	\$ 0
3. Emergency Services	\$35,822,088	\$38,345,432
4. Other Operating Revenue (Specify) _____	\$ 0	\$ 0
Gross Operating Revenue	<u>\$35,822,088</u>	<u>\$38,345,432</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$26,404,461</u>	<u>\$28,438,890</u>
2. Provision for Charity Care	<u>\$ 2,089,144</u>	<u>\$ 2,437,619</u>
3. Provision for Bad Debts	<u>\$ 522,286</u>	<u>\$ 375,018</u>
Total Deductions	<u>\$29,015,891</u>	<u>\$31,251,527</u>
NET OPERATING REVENUE	<u>\$ 6,806,197</u>	<u>\$ 7,093,905</u>
D. Operating Expenses		
1. Salaries and Wages & Benefits	<u>\$ 2,726,210</u>	<u>\$ 2,807,996</u>
2. Physician's Salaries and Wages	\$ 0	\$ 0
3. Supplies	<u>\$ 207,857</u>	<u>\$ 226,742</u>
4. Taxes	\$ 0	\$ 0
5. Depreciation	<u>\$ 432,544</u>	<u>\$ 432,544</u>
6. Rent	\$ 0	\$ 0
7. Interest, other than Capital	\$ 0	\$ 0
8. Management Fees:		
a. Fees to Affiliates (Medical Director)	\$ 0	\$ 0
b. Fees to Non-Affiliates	\$ 0	\$ 0
9. Other Expenses (Specify) See next Page	<u>\$ 1,361,736</u>	<u>\$ 1,480,928</u>
Total Operating Expenses	<u>\$ 4,728,347</u>	<u>\$ 4,948,210</u>
E. Other Revenue (Expenses) – Net (Specify)	\$ 0	\$ 0
NET OPERATING INCOME (LOSS)	<u>\$ 2,077,850</u>	<u>\$ 2,145,695</u>
F. Capital Expenditures		
1. Retirement of Principal	\$ 0	\$ 0
2. Interest	<u>\$ 243,691</u>	<u>\$ 243,691</u>
Total Capital Expenditures	<u>\$ 243,691</u>	<u>\$ 243,691</u>
NET OPERATING INCOME (LOSS)		
LESS: CAPITAL EXPENDITURES	<u>\$ 1,834,159</u>	<u>\$ 1,902,004</u>

**Free-Standing Emergency Department
PROJECTED DATA CHART
Other Expenses**

OTHER EXPENSE CATEGORIES	YEAR 1	YEAR 2
1. Radiology/PACS/RIS License/storage	\$ 22,000	\$ 22,000
2. Lab supplies/reagents	\$ 15,633	\$ 16,761
3. Lab rental	\$ 135,120	\$ 135,120
4. IS Support	\$ 28,363	\$ 28,363
5. Pharmacy/contrast	\$ 1,031,912	\$ 1,147,108
6. Medical Director	\$ 55,000	\$ 55,000
7. Contingency	\$ 73,708	\$ 76,576
Total Other Expenses	\$ 1,361,736	\$ 1,480,928

NOTE: Other expenses outlines in the Projected Data Chart

License fees for Radiology software/storage for data.

Laboratory supplies and reagents

Lab equipment rentals

IS Support software license fees for other

Pharmacy

Linen, cleaning, other

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

RESPONSE:

The average gross charge, average deduction from operating revenue, and average net charge per visit for the project are as follows:

	<u>Year 1</u>	<u>Year 2</u>
Average Gross Charge	\$1944	\$2003
Average Deduction from Operating Rev.	\$1574	\$1632
Average Net Charge	\$ 369	\$ 371

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

RESPONSE:

The current and proposed charge schedules for the proposal are as follows:

	<u>Current</u>	<u>Proposed</u> <u>Year 1</u>	<u>Year 2</u>
Average ED Charge	\$1,852*	\$1,944	\$2003

Included in the free-standing ED is the average charge for the ED level of care and ancillary charges. The proposed free standing Emergency Department will not impact our current charges or the future ED and ancillary charges. Charges have little, if any, bearing on net revenue. Contractual arrangements, charity volume and TennCare reimbursement impact net revenue. (*Includes estimated ancillary charges)

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Projected Data Chart
Total Hospital

Give information for the two (2) years following the completion of this proposal. The fiscal Year begins in July.

	YEAR 1	YEAR 2
A. Utilization Data (Specify unit of measure) ER Visits	<u>61,800</u>	<u>62,542</u>
B. Revenue from Services to Patients (Gross All)	\$1,149,529,145	\$1,245,351,034
1. Inpatient Services	—	
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify) see below	\$ 48,326,219	\$ 50,259,268
Gross Operating Revenue	<u>\$1,197,855,364</u>	<u>\$1,295,610,302</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$827,291,177</u>	<u>\$895,282,858</u>
2. Provision for Charity Care	<u>\$ 65,456,480</u>	<u>\$ 70,835,567</u>
3. Provisions for Bad Debts	<u>\$ 16,370,120</u>	<u>\$ 17,708,892</u>
Total Deductions	<u>\$909,117,777</u>	<u>\$983,827,317</u>
NET OPERATING REVENUE	<u>\$288,737,587</u>	<u>\$ 311,782,985</u>
D. Operating Expenses		
1. Salaries and Wages & Benefits	\$ 172,450,602	\$ 178,042,938
2. Physician's Salaries and Wages	0	0
3. Supplies	\$ 46,771,818	\$ 48,869,433
4. Taxes	\$ 0	\$ 0
5. Depreciation	\$ 16,755,762	\$ 17,188,306
6. Rent - Equipment	\$ 2,001,145	\$ 2,061,180
7. Interest, other than Capital	\$ 0	\$ 0
8. Management Fees:		
a. Fees to Affiliates (Medical Director)	\$ 0	\$ 0
b. Fees to Non-Affiliates		
9. Other Expenses (Specify)	<u>\$ 44,081,048</u>	<u>\$ 47,840,074</u>
Total Operating Expenses	<u>\$ 282,060,375</u>	<u>\$ 294,001,931</u>
E. Other Revenue (Expenses) – Net (Invest./contributions)	\$ 4,002,312	\$ 4,019,134
NET OPERATING INCOME (LOSS)	<u>\$ 10,679,524</u>	<u>\$ 21,800,188</u>
F. Capital Expenditures		
1. Retirement of Principal	\$ 0	\$ 0
2. Interest	\$ 2,692,644	\$ 2,936,335
Total Capital Expenditures	<u>\$ 2,692,644</u>	<u>\$ 2,936,335</u>
NET OPERATING INCOME (LOSS)		
LESS: CAPITAL EXPENDITURES	<u>\$ 7,986,880</u>	<u>\$ 18,863,853</u>
Other Rev.: MSO, wellness, misc.		

Projected Data Chart
Main ER and Free-Standing ER Combined

Give information for the two (2) years following the completion of this proposal. The fiscal Year begins in July.

	YEAR 1	YEAR 2
A. Utilization Data (Specify unit of measure) ER Visits	<u>61,800</u>	<u>62,542</u>
B. Revenue from Services to Patients		
1. Inpatient Services		
2. Outpatient Services		
3. Emergency Services	\$120,139,200	\$125,271,626
4. Other Operating Revenue (Specify) see below		
Gross Operating Revenue	<u>\$120,139,200</u>	<u>\$125,271,626</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$ 90,238,235</u>	<u>\$ 94,093,272</u>
2. Provision for Charity Care	<u>\$ 7,139,728</u>	<u>\$ 7,444,742</u>
3. Provisions for Bad Debts	<u>\$ 1,784,932</u>	<u>\$ 1,861,186</u>
Total Deductions	<u>\$ 99,162,896</u>	<u>\$103,399,200</u>
NET OPERATING REVENUE	<u>\$ 20,976,304</u>	<u>\$ 21,872,426</u>
D. Operating Expenses		
1 Salaries and Wages & Benefits	\$ 9,611,136	\$ 9,899,470
2 Physician's Salaries and Wages	0	0
3 Supplies	\$ 803,400	\$ 853,698
4 Taxes	\$ 0	\$ 0
5 Depreciation	\$ 739,677	\$ 739,677
6 Rent - Equipment	\$ 0	\$ 0
7 Interest, other than Capital	\$ 222,500	\$ 222,500
8 Management Fees:		
a. Fees to Affiliates (Medical Director)	\$ 0	\$ 0
b. Fees to Non-Affiliates	\$ 0	\$ 0
9 Other Expenses (Specify)	<u>\$ 4,758,570</u>	<u>\$ 5,008,363</u>
Total Operating Expenses	<u>\$ 16,135,283</u>	<u>\$ 16,723,709</u>
E Other Revenue (Expenses) – Net (Specify)	\$ 0	\$ 0
NET OPERATING INCOME (LOSS)	<u>\$ 4,841,021</u>	<u>\$ 5,148,717</u>
F Capital Expenditures		
1 Retirement of Principal	\$ 0	\$ 0
2 Interest	\$ 243,691	\$ 243,691
Total Capital Expenditures	<u>\$ 243,691</u>	<u>\$ 243,691</u>
NET OPERATING INCOME (LOSS)		
LESS CAPITAL EXPENDITURES	<u>\$ 4,597,330</u>	<u>\$ 4,905,026</u>

RESPONSE:

The current and proposed charges by ED Levels are:

CPT Code	99281	99282	99283	99284	9285
Level	1	2	3	4	5
Current	\$189	\$378	\$562	\$752	\$940
Year 1	\$198	\$397	\$590	\$789	\$986
Year 2	\$204	\$408	\$608	\$813	\$1015

Current Medicare reimbursement by Emergency Room Acuity level is as follows:

Level	1	2	3	4	5
Medicare	\$50.23	\$92.75	\$166.	\$411.68	\$564.33

It is difficult to find comparative ED Charges, but in the CON presented by Sumner Regional Medical Center, the proposed average Gross charge was \$3,148 in Year 1 and \$3,195 in Year 2, compared to our proposed Average Gross Charge in Year 1 of \$1852 and Year 2 of \$2003 which includes the average ER Level charge and average ancillary charge.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

RESPONSE:

The proposed project is economically feasible. Emergency Services are essential to the community, and this proposal will enhance Blount Memorial's current service line by expanding the emergency department capacity off the main campus. This will allow decompression of services on the main hospital campus where expansion options are limited and more costly. Additionally, this will expand our Emergency Department capabilities in an area closer to the communities where Blount Memorial's patients primarily reside. As indicated in the Projected Data Chart, the volume of patients is sufficient to allow efficient operations. While initiation of this project will result in a 'loss' of revenues and volume at the main hospital campus, it will be offset by the resulting patient revenues attained at the free standing location on 411.

8. Discuss how financial viability will be ensured within two year; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

RESPONSE:

As indicated in the Projected Data Chart, the project is financially viable and will allow sufficient cash flow.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from

each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

RESPONSE:

Currently, Medicare and Medicare Advantage represents 31% of the Emergency Department payor mix, and TennCare represents 29% of the payor mix. Based on an aging population, we expect Medicare/Medicare Advantage could increase by as much as 14.6% by 2025. Unless the TennCare program is expanded, we believe it will grow less and only in proportion to the population already served. Estimated gross charges from Medicare and TennCare are estimated to be \$11,104,847 and \$10,388,405 respectively for the first year and \$11,887,084 and \$11,120,175 in year two of operation.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility – 10.

RESPONSE:

Please find the audited financial statement for Fiscal Year 2015 in Appendix C, Attachment C, Economic Feasibility – 10.

11. Describe of alternative to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.
 - b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

RESPONSE:

We were not able to determine a less costly alternative to this project. Initially we examined expanding our existing Emergency Department on campus which would include renovation and remodeling of existing space (17,787 square feet) and new construction (14,428 square feet). That alternative would adversely impact the adjacent area of Radiology both in terms of space and the need for additional imaging equipment to accommodate the increased volume. Because this approach would entail renovation and expansion in an area that would have to continue to serve patients during this work, Cooper Architect indicated that it would take a minimum of two years to accomplish, but would not solve the problem of taking away space from Radiology that is very expensive to duplicate, assuming we even had space for

Radiology to expand. The cost for expanding at the main campus was estimated by Cooper Architect to be \$8,801,291 plus minimum equipment cost of \$853,894, and does not include additional imaging equipment as there would be no space to accommodate it. Another cost, though we cannot determine a dollar figure, is the disruption in service an on-campus renovation would create for a minimum of two years. Comparatively, the estimated cost of the proposed free standing Emergency Department (all related construction costs, equipment) is estimated to be \$7,838,644 and would not involve disruption of service as the construction would take place off site, and is estimated to be complete in less than a year.

Prior to considering expansion of the Emergency Department capability, we worked diligently with our Emergency Department physician group to improve patient flow and wait time to increase patient satisfaction and to allow the Department to manage the increased volume more effectively. This effort resulted in a significant improvement in the average door to physician time from 102 minutes to 21 minutes, with a median length of stay for discharged patients from 295 minutes to 148 minutes. We continue to work on improving this process, but now find that we need additional capacity – process improvement alone cannot accommodate the volume. This project addresses the site deficiency at the Hospital's main campus in a cost-effective manner that cannot be accomplished at the main campus. Additionally, overtime we plan to add primary care physician offices at the 411 location and the ancillary services at the free-standing emergency Department will be able to Accommodate the needs of practices.

Advantages of Expanding on Campus

Avoid some duplication of lab equipment

Disadvantages of Expanding on Campus

More costly than the 411 site

Disruption in service for at least two years

Disrupt Radiology department with no space for Radiology expansion

Advantages of 411 site for Free Standing Emergency Department

Less costly than expanding on campus

Doesn't take away space from Radiology department on campus

No disruption in service during construction

Services will compliment future physician offices at 411 site

Convenient access to a population we already serve

Off-load the volume from our campus facility

Disadvantages of 411 site for Free Standing Emergency Department

Need to duplicate Lab equipment

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g. hospitals, nursing homes, home care organizations, etc), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

RESPONSE:

Blount Memorial Hospital has the following contracts, transfer agreements with the following:

Hospitals

- University of TN Medical Center
- Covenant Health System (Ft. Sanders, Parkwest)
- Tennova Health System
- Childrens Hospital of East TN
- Bon Secours Richmond Health System – Children’s Hospital
- Vanderbilt Medical Center
- Erlanger Medical Center

Nursing homes/skilled care facilities/rehab

- Asbury Place
- Blount Memorial Transitional Care Center
- Kindred Transitional Care & Rehabilitation
- Shannondale of Maryville Health Care
- Patricia Neal Rehabilitation
- Select Specialty Care

Physician Service Contract

- LeConte Radiology
- Blount Pathologists
- Maryville Anesthesiology
- Blount Hospitalists
- Align MD, Emergency Room Physician Services
- Vanderbilt Teleneurology

Other Services

- Medic
- Therapy Resource Center, PLLC – Rehab for skilled care
- Language Line Service, Inc.
- Visual Communication Interpreting (VCI)
- Knoxville Area Stone Center – Lithotripsy services
- Archer’s Home healthcare – HME for Hospice
- Blount Hearing and Speech
- Lifeline Medical
- Lincare – Hospice

- Lowe's Drugs – HME for Hospice
- Pdiatrix- Newborn Hearing Screening
- Regional Neonatal Associates – Neonatal Coverage
- Renal Management/Extra corporeal Technologies – Inpatient dialysis
- Sexual Assault Center
- Tennessee Donor Services
- Total Med Staffing – staffing option service
- Trustaff Travel Nurses- staffing option service
- Medical Solutions- staffing option service

Managed Care Contracts

- Aetna Health Plan
- BlueCross Blue Shield of TN
- AmeriaChoice
- TennCare Select
- Cover TN
- United healthCare
- Humana
- Coventry
- Beechstreet
- CIGNA
- Great West HealthCare
- GEHA
- Bluegrass Family Health
- Value Options Behavioral Health
- UBH Behavioral Health
- CHOICE Behavioral Health
- LifeSynch Behavioral Health
- Behavioral Health Systems
- Horizon
- Magellan Behavioral Health
- NovaNet
- Windsor Health Plan
- Sterling Health Plan

2. Describe the positive and/or negative effects of the proposal on the healthcare system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

RESPONSE:

The only provider impacted by this service is Blount Memorial Hospital. This project will serve to help off-load the volume at our Emergency Department located on our main campus. Further it will offer convenient service to a population we primarily serve, and will be a less costly alternative to attempting to expand on-site. With the addition of the free standing Emergency Department, we expect the total Emergency Department visits to approximate:

	Emergency Visits	
	Year 1	Year 2
Blount Memorial Main Campus	43,373	43,398
<u>Proposed 411 Site</u>	<u>18,427</u>	<u>19,144</u>
TOTAL	61,800	62,542

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of labor & Workforce Development and/or other documented sources.

RESPONSE:

The current and anticipated staffing pattern for all employees in the Emergency Room is as follows:

Position	Current FTE's	Proposed Staffing at both sites	
		Main Campus FTE's	Free-Standing FTE's
RN's	37.9	30.9	10.45
RN Team leader	3.7	3.7	0
Monitor Tech	6.1	5.1	4.2
CNA/EMT	19.25	15.25	4.2
Supervisor	2.6	2.6	4.2
Case Manager	2.4	2.4	1.0
Director	1.0	1.0	Same person
Trauma Coord./Educ.	3.9	3.9	0
CT Tech*	N/A		4.0
Ultrasound Tech*	N/A		4.0
Rad tech*	N/A		4.0
MT*	N/A		3.6
Lead tech*	N/A		1.0
MLT*	N/A		.5
TOTAL	76.85 FTE's	64.85 FTE's	41.15 FTE's

*These staff members are recorded in their respective departments today and can't be distinguished for the time they serve ER patients.

Blount Memorial utilizes two different sources to compare annual salaries to remain competitive. These include: Tennessee Hospital Association Compensation Survey and Towers Watson Healthcare Package Surveys.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of mental health and Developmental disabilities; and/or the Division of Mental Retardation Services licensing requirements.

RESPONSE:

Blount Memorial Hospital will utilize existing staff and will balance that with recruitment efforts. Since the main campus will see fewer patients, staff will be shifted to the proposed 411 site and any gaps in staffing will be recruited. We have competitive benefits and have successfully recruited the professional staff needed to provide care in an Emergency Department setting.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

RESPONSE:

Blount Memorial Hospital has reviewed and understands the licensure and certification requirements for medical and clinical staff. The Medical Staff Services office of the hospital checks that each medical staff member is properly licensed at the time of appointment, reappointment, when new clinical privileges are requested, and when their license is nearing expiration. The Human Resource staff checks license requirements for all clinical employed staff. The Hospital meets all Joint Commission/CMS requirements for medical staff credentialing and employed clinical staff and has corresponding policies and procedures to assure that requirements are met. As the proposed free standing Emergency Department will be an extension of the existing Emergency Department, all policies and procedures will apply. We intend to utilize the same ER Physician group that staff's the main campus Emergency Department – Align, MD who meet all requirements. Please see Appendix C – Contribution to the Orderly Development of Health Care- #5 for a copy of the Hospital's Quality Improvement Plan, Utilization Plan and Patient Rights and Responsibilities Policy.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work etc., (e.g. internships, residencies, etc).

RESPONSE:

Although we do not have a residency program at Blount Memorial Hospital, we do have Lincoln Memorial University (LMU) medical students who rotate with various members of the medical staff in their respective practice. In addition, we have medical students from the

University of Tennessee who rotate through our psychiatric unit as part of their rotation. We provide internships for RN students from LMU and the University of TN, and we provide training for Certified Nurse Assistants. Additionally, PT, OT and Speech Therapy students rotate through our Rehabilitation services from a variety of colleges as part of their practicum experience. We do provide a residency program for pharmacy students who have graduated from a variety of schools and who commit to a year of residency starting each July.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental health and Developmental disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

RESPONSE:

As an existing hospital facility, Blount Memorial is licensed by the Tennessee Department of Health, and has reviewed and understands the licensure requirements. The proposed free-standing Emergency Department that will operate 24 hours per day, seven days per week will be an extension of the existing Emergency Department and will be under the management and control of the hospital and hence all licensure requirements.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

RESPONSE:

Licensure: Board of Licensing Health Care Facilities, State of Tennessee, Department of Health.

Accreditation: Blount Memorial is accredited by The Joint Commission.

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

RESPONSE:

Please refer to Appendix C – Contribution to the Orderly Development of Health Care - # 7(c) for a copy of the hospital's current license which expires April 15, 2016.

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

RESPONSE:

Please refer to Appendix C – Contribution to the Orderly Development of Health Care - # 7 (d) for the most recent report from the Department of Health and accompanying approved plan of correction.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such

information is to be provided for licenses regardless of whether such license is currently held.

RESPONSE:

There have been no final orders or judgments entered in any state or country by a licensing agency or court against Blount Memorial Hospital or any entity or person with more than a 5% ownership.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

RESPONSE:

There have been no civil or criminal judgments against Blount Memorial or any entity or person with more than 5 percent ownership.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

RESPONSE:

Blount Memorial Hospital representatives will provide any information requested concerning the volume of patients treated, the number and type of procedures performed, and any other data requested by Tennessee Health Service and Development Agency.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609© provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): Assume June 22, 2016

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date</u> <u>(MONTH/YEAR)</u>
1. <u>Architectural and engineering contract signed</u>	<u>1</u>	<u>June 23, 2016</u>
2. <u>Construction documents approved by the</u> <u>Tennessee Dept of Health</u>	<u>240</u>	<u>2/18/17</u>
3. <u>Construction contract signed</u>	<u>1</u>	<u>2/19/17</u>
4. <u>Building permit secured</u>	<u>1</u>	<u>2/20/17</u>
5. <u>Site preparation completed</u>	<u>30</u>	<u>3/22/17</u>
6. <u>Building construction commenced</u>	<u>0</u>	<u>3/22/17</u>
7. <u>Construction 40% complete</u>	<u>150</u>	<u>8/19/17</u>
8. <u>Construction 80% complete</u>	<u>120</u>	<u>12/17/17</u>
9. <u>Construction 1105 complete (approved for occupancy)</u>	<u>90</u>	<u>3/17/18</u>
10. <u>*Issuance of license</u>	<u>30</u>	<u>4/16/18</u>
11. <u>*Initiation of service</u>	<u>1</u>	<u>4/17/18</u>
12. <u>Final Architectural Certificate of Payment</u>	<u>1</u>	<u>4/18/18</u>
13. <u>Final Project Report Form (HF0055)</u>	<u>29</u>	<u>5/17/18</u>

*** For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

AFFIDAVIT

STATE OF Tennessee
 COUNTY OF Blount

Jane T. H. Nelson, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

J. A. Nelson, Assist. Administrator
 SIGNATURE/TITLE

Sworn to and subscribed before me this 3 day of March, 2016 a Notary
 (Month) (Year)

Public in and for the County/State of Blount/Tennessee



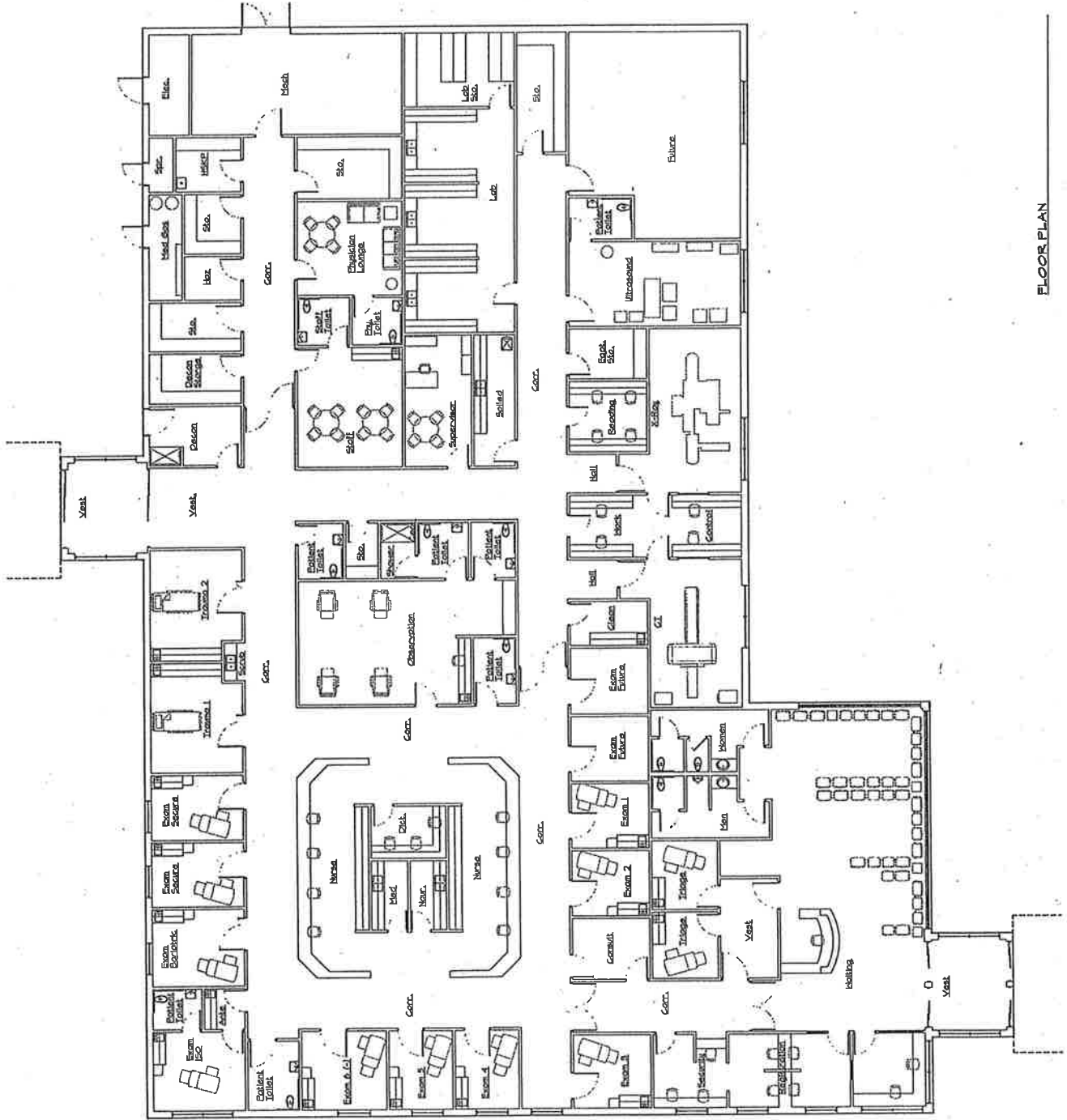
Stacy Hawkins
 NOTARY PUBLIC

My commission expires 8/29, 2018
 (Month/Day) (Year)

APPENDIX SECTION B
PROJECT DESCRIPTION

APPENDIX SECTION B – II A

Facility Drawing/Floor Plan



FLOOR PLAN

February, 2014

A 2.1

Blount Memorial
Hospital
411
Freestanding
Emergency
Room

NOT
FOR
CONSTRUCTION

Cooper
Architecture
749 Bell Road Knoxville TN 37930 605.122.0559

APPENDIX SECTION B – III A

Plot Plan

February 2011
SI 2.1

Site Plan
NTS

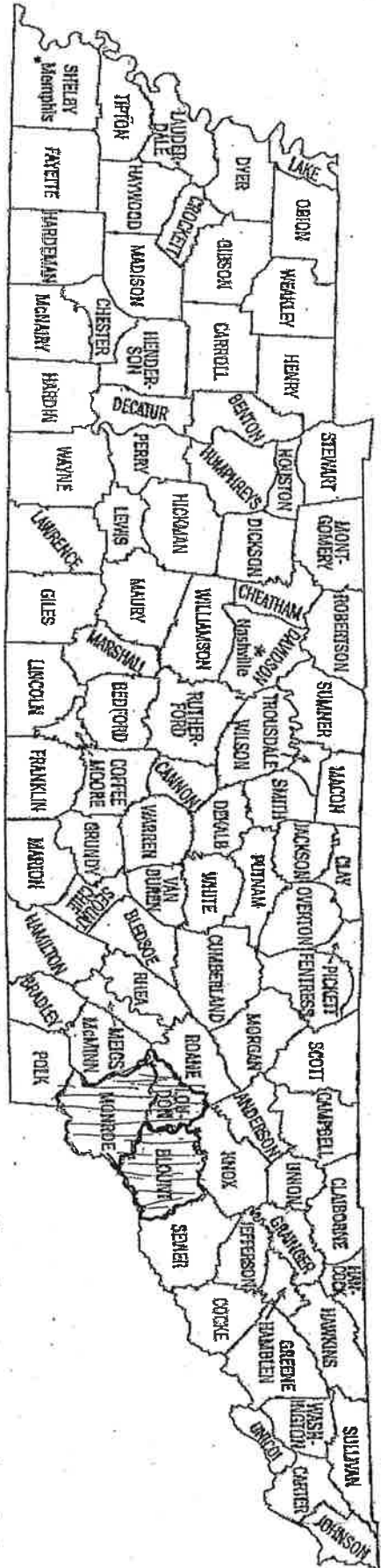
7.18 Acres

APPENDIX SECTION C
GENERAL CRITERIA FOR CERTIFICATE OF NEED

APPENDIX SECTION C – NEED - # 3

State of Tennessee Map

Tennessee County Selection Map



APPENDIX SECTION C

ATTACHMENT C – Economic Feasibility - 2

Letter from CFO



Blount Memorial
Hospital

907 East Lamar Alexander Parkway
Maryville, Tennessee 37804
865-983-7211

75

Robert Redwine
President of the Board

Dr. Ted Flickinger
Vice President of the Board

Don Heinemann
Chief Executive Officer

Medical Staff

Dr. Teresa Catron
Chief of Staff

Dr. John Niethammer
Vice Chief of Staff

March 1, 2016

Melanie M. Hill
Executive Director
TN Health Services & Development Agency
502 Deaderick Street
Andrew Jackson Building – 9th Floor
Nashville, TN 37243

Dear Ms. Hill:

Please be advised that Blount Memorial Hospital has sufficient cash reserves to fund the construction and operation of the proposed free-standing Emergency Department. The ED will operate under the license of Blount Memorial Hospital and serve as an extension of the existing main campus ED.

Please don't hesitate to contact me should you have any questions.

Sincerely,

Jonathan Smith, CFO

APPENDIX SECTION C

ATTACHMENT C – Economic Feasibility - 10

Blount Memorial Hospital

Audited Financial Statements – Fiscal Year 2015

Annual Financial Report

Blount Memorial
Hospital, Inc.

*Years ended June 30, 2015 and 2014
with Report of Independent Auditors*

Blount Memorial Hospital, Inc.

Annual Financial Report

Years ended June 30, 2015 and 2014

Contents

Report of Independent Auditors.....	1
Management's Discussion and Analysis.....	3
Audited Financial Statements	
Statements of Net Position.....	8
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements.....	13
List of Officials	32
Report of Independent Auditors on Internal Control over Financial Reporting on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33



Report of Independent Auditors

To Management and the Board of Directors of
Blount Memorial Hospital, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Blount Memorial Hospital, Inc. (the Hospital), a component unit of the County of Blount, Tennessee, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To Management and the Board of Directors of
Blount Memorial Hospital, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Blount Memorial Hospital, Inc. as of June 30, 2015 and 2014, and the changes in its net position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2015 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions, laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
September 10, 2015

Blount Memorial Hospital, Inc.
Management's Discussion and Analysis

This section of Blount Memorial Hospital, Inc.'s annual financial report presents management's discussion and analysis of the Hospital's financial performance during the fiscal years ended June 30, 2015 and 2014. The information contained herein should be considered in conjunction with the Hospital's accompanying financial statements. Unless otherwise indicated, amounts are in thousands.

Overview of the Financial Statements

The Hospital is a component unit of Blount County, Tennessee, and the accompanying financial statements reflect the Hospital's net position and activities. These financial statements consist of statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows. The accompanying notes to the financial statements are an integral part of the financial statements and are essential to understanding the data contained in the financial statements.

The statements of net position provide descriptions of the Hospital's assets and liabilities and an indication of the Hospital's financial position. The statements of revenue, expenses and changes in net position report the revenues and expenses related to the Hospital's activities. The statements of cash flows report the cash provided and used by operating, investing, capital, financing and other activities. The financial information herein is presented at a summarized level for analysis purposes only.

Financial Highlights

Condensed financial information as of and for the years ended June 30, 2015, 2014 and 2013 is provided in the tables below.

	2015	2014	2013
Assets:			
Current assets	\$ 34,327	\$ 36,458	\$ 37,904
Assets limited as to use	107,213	109,909	108,244
Property and equipment, net	126,780	124,704	126,387
Other	8,104	8,273	9,139
Total assets	<u>\$276,424</u>	<u>\$279,344</u>	<u>\$281,674</u>
Deferred outflows of resources--accumulated decrease in fair value of interest rate swaps	<u>\$ 11,146</u>	<u>\$ 10,405</u>	<u>\$ 9,994</u>

Blount Memorial Hospital, Inc.
Management's Discussion and Analysis (continued)

Financial Highlights (continued)

	2015	2014	2013
Liabilities:			
Current liabilities	\$ 24,013	\$ 22,847	\$ 23,862
Bonds payable	81,949	86,041	92,510
Interest rate swap liabilities	11,146	10,405	9,994
Total liabilities	\$117,108	\$119,293	\$126,366
Net position:			
Net investment in capital assets	\$ 40,739	\$ 34,491	\$ 32,465
Restricted, nonexpendable	1,075	1,060	936
Unrestricted	128,648	134,905	131,901
Total net position	\$170,462	\$170,456	\$165,302
Changes in net position:			
Operating revenues	\$233,281	\$221,270	\$206,859
Operating expenses	230,469	222,729	210,618
Operating income (loss)	2,812	(1,459)	(3,759)
Nonoperating (expenses) revenues	(2,806)	6,613	(3,871)
Increase (decrease) in net position	\$ 6	\$ 5,154	\$ (7,630)

Current Assets

Current assets decreased from 2014 to 2015 from \$36,458 to \$34,327. The cash position decreased from \$7,433 to \$4,809 during the fiscal year along with an increase in accounts receivable from \$23,278 to \$23,575. Inventories increased from \$3,169 to \$3,793 due to the acquisition of Maryville Surgical Center, LLC which more detail is found in note 5 to the financial statements.

Assets Limited as To Use

Assets limited as to use decreased from \$109,909 to \$107,213 during the fiscal year. Unfavorable investment returns drove the changes.

Net Position

Overall, the Hospital's net position increased from \$170,456 to \$170,462 during the fiscal year. In note 12 to the financial statements, the blended component units that make up Blount Memorial Hospital, Inc. are displayed in more detail.

The statements of cash flows and Notes 6 and 8 to the financial statements provide additional information regarding capital additions, bonds and related cash flows.

Blount Memorial Hospital, Inc.
Management's Discussion and Analysis (continued)

Financial Highlights (continued)

Results of Operations

Operating revenues and expenses are as follows for the years ended June 30, 2015, 2014 and 2013.

	2015	Relative %	2014	Relative %	2013	Relative %
Net patient service revenue	\$191,870	82%	\$182,815	83%	\$175,214	85%
Other revenue	41,411	18%	38,455	17%	31,645	15%
Total operating revenues	<u>\$233,281</u>	<u>100%</u>	<u>\$221,270</u>	<u>100%</u>	<u>\$206,859</u>	<u>100%</u>
Salaries and wages	\$111,532	48%	\$105,021	47%	\$ 99,360	47%
Employee benefits	25,197	11%	25,419	12%	27,364	13%
Contract salaries	913	1%	3,027	1%	2,558	1%
Professional fees	4,593	2%	4,033	2%	4,352	2%
Patient supplies	35,876	16%	34,170	15%	32,046	15%
Purchased maintenance	9,065	4%	9,514	4%	7,862	4%
Outside services	7,228	3%	6,598	3%	6,607	3%
Equipment rental	2,616	1%	2,982	1%	2,809	2%
Utilities	4,976	2%	4,982	2%	4,476	2%
Marketing	1,045	1%	964	1%	833	0%
Depreciation and amortization	17,225	7%	16,152	7%	13,179	6%
Other expenses	10,203	4%	9,867	5%	9,172	5%
Total operating expenses	<u>\$230,469</u>	<u>100%</u>	<u>\$222,729</u>	<u>100%</u>	<u>\$210,618</u>	<u>100%</u>
Interest expense	\$ (2,220)	(79)%	\$ (2,726)	(41)%	\$ (3,705)	(96)%
Investment (loss) income	(1,068)	(38)%	7,912	120%	(662)	(17)%
Contributions and other	482	17%	1,427	21%	496	13%
Total nonoperating (expenses) revenues	<u>\$ (2,806)</u>	<u>(100)%</u>	<u>\$ 6,613</u>	<u>100%</u>	<u>\$ (3,871)</u>	<u>(100)%</u>

Changes in patient volumes have resulted in an increase in net patient service revenue of 5.0% from 2014 to 2015. Hospital fees and rates have increased each year but a significant portion of the price increases are not reimbursed by the Hospital's largest third-party payors such as Medicare and TennCare.

Total operating revenues and expenses have increased 5.4% and 3.5%, respectively, from 2014 to 2015.

Blount Memorial Hospital, Inc.
Management's Discussion and Analysis (continued)

Financial Highlights (continued)*Results of Operations (continued)*

Operating income posted at \$2,812 for the year was an increase of \$4,271 over the prior year.

Interest expense in 2015 declined to \$2,220 after refunding bonds during the prior fiscal year.

Other Changes in Net Position

The Hospital experienced investment loss of \$1,068 in 2015 and investment income of \$7,912 in 2014. The changes in fair value of investments in both years were due to the changes in the market.

Capital Acquisitions and Construction Activities

Note 6 to the financial statements summarizes property and equipment by class and changes for the years ended June 30, 2015 and 2014. Additional information regarding accounting policies for capital assets is provided in Note 1 to the financial statements.

Total property and equipment increased from \$124,704 to \$126,780 during the fiscal year. Construction in progress at June 30, 2015 consists of facility upgrades. The hospital recorded Health Information Technology for Economic and Clinical Health Act ("HITECH") related incentive payments of \$2,247 and \$932 during fiscal year 2015 and 2014, respectively. Note 3 to the financial statements discusses the Hospital's meaningful use initiatives in more detail.

Long-Term Debt Activity

The Series 2013A bonds bear interest at a variable rate. Bonds totaling \$25,000 are subject to an interest rate swap agreement which fixes the rate at 4.9%. An additional portion of the bonds totaling \$30,700 are subject to an interest rate swap agreement which fixes the rate at 4.33%. The balance outstanding at June 30, 2015 and 2014 was \$82,550 and \$85,925, respectively. Principal payments totaled \$3,375 on the Series 2013A bonds during 2015.

The Series 2014 bonds bear interest at a fixed rate of 1.68%. The balance outstanding at June 30, 2015 and 2014 was \$3,491 and \$4,288, respectively. Principal payments totaled \$797 on the Series 2014 bonds during 2015.

Blount Memorial Hospital, Inc.
Management's Discussion and Analysis (continued)

Requests for Information

The annual financial report is designed to provide an overview of the Hospital's financial position and activity. Questions concerning the information provided herein or requests for additional information should be directed to the Assistant Administrator/Chief Financial Officer of Blount Memorial Hospital, Inc.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Jonathan Smith", with a stylized, flowing script.

Jonathan Smith
Assistant Administrator/Chief Financial Officer
Blount Memorial Hospital, Inc.

Blount Memorial Hospital, Inc.

Statements of Net Position

	June 30	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,808,547	\$ 7,433,277
Patient accounts receivable, less allowances for uncollectible accounts of \$11,590,975 in 2015 and \$11,114,745 in 2014	23,574,849	23,277,777
Inventories	3,793,814	3,169,305
Prepaid expenses	2,150,085	2,577,949
Total current assets	34,327,295	36,458,308
Assets limited as to use:		
By Board	105,673,093	108,253,349
Foundation	1,539,715	1,564,220
Other investments--held by trustee	-	91,006
	107,212,808	109,908,575
Property and equipment, net	126,779,796	124,704,493
Other assets	8,103,779	8,272,789
Total assets	276,423,678	279,344,165
Deferred outflows of resources		
Accumulated decrease in fair value of interest rate swaps	11,145,815	10,405,050
Total assets and deferred outflows of resources	\$ 287,569,493	\$ 289,749,215

Blount Memorial Hospital, Inc.

Statements of Net Position (continued)

	June 30	
	2015	2014
Liabilities and net position		
Current liabilities:		
Accounts payable	\$ 4,372,977	\$ 3,286,598
Accrued compensation, benefits and withholdings	12,077,160	11,271,165
Other accrued expenses	2,394,332	3,119,477
Estimated third party payor settlements	901,810	831,175
Accrued interest payable	174,487	166,416
Current portion of bonds payable	4,091,778	4,172,438
Total current liabilities	24,012,544	22,847,269
 Bonds payable	81,949,184	86,040,962
Interest rate swap liabilities	11,145,815	10,405,050
Total liabilities	117,107,543	119,293,281
 Net position:		
Net investment in capital assets	40,738,834	34,491,093
Restricted in perpetuity under an irrevocable endowment trust, nonexpendable	1,074,686	1,060,420
Unrestricted	128,648,430	134,904,421
Total net position	170,461,950	170,455,934
 Total liabilities and net position	\$ 287,569,493	\$ 289,749,215

See accompanying Notes to Financial Statements.

Blount Memorial Hospital, Inc.

Statements of Revenues, Expenses and Changes in Net Position

	Year ended June 30	
	2015	2014
Operating revenues:		
Net patient service revenue	\$ 191,869,673	\$ 182,814,716
Other revenue	41,410,997	38,455,362
Total operating revenues	233,280,670	221,270,078
Operating expenses:		
Salaries and wages	111,532,533	105,021,263
Employee benefits	25,197,314	25,419,312
Contract salaries	912,692	3,027,272
Professional fees	4,592,733	4,032,782
Patient supplies	35,875,833	34,169,470
Purchased maintenance	9,065,120	9,513,703
Outside services	7,227,879	6,597,796
Equipment rental	2,615,620	2,981,710
Utilities	4,975,664	4,981,776
Marketing	1,044,726	964,009
Depreciation and amortization	17,225,398	16,152,257
Other expenses	10,203,318	9,867,430
Total operating expenses	230,468,830	222,728,780
Operating income (loss)	2,811,840	(1,458,702)
Nonoperating (expenses) revenues:		
Interest expense	(2,220,004)	(2,726,506)
Investment (loss) income	(1,068,042)	7,912,527
Contributions and other	482,222	1,426,782
Total nonoperating (expenses) revenues	(2,805,824)	6,612,803
Increase in net position	6,016	5,154,101
Net position at beginning of year	170,455,934	165,301,833
Net position at end of year	\$ 170,461,950	\$ 170,455,934

See accompanying Notes to Financial Statements.

Blount Memorial Hospital, Inc.

Statements of Cash Flows

	Year ended June 30	
	2015	2014
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 233,248,039	\$ 224,688,744
Payments to employees for services	(110,726,538)	(104,380,940)
Payments to suppliers and contractors	(102,528,724)	(101,427,379)
Net cash provided by operating activities	19,992,777	18,880,425
Cash flows from noncapital financing activities		
Contributions and other	430,400	1,447,622
Cash flows from capital and related financing activities		
Additions to property and equipment	(17,202,361)	(14,797,652)
Acquisition of MSC assets	(1,225,901)	-
Repayments of long-term debt	(4,172,438)	(99,825,000)
Proceeds from bond issuance	-	93,413,400
Interest paid on long-term debt	(2,211,933)	(2,945,170)
Net cash used in capital and related financing activities	(24,812,633)	(24,154,422)
Cash flows from investing activities		
Interest and dividends	1,185,844	2,505,335
Proceeds from sale of equipment	137,001	-
Net proceeds from sale of investment securities designated as assets limited as to use	614,986	1,668,787
Net cash provided by investing activities	1,937,831	4,174,122
Net (decrease) increase in cash and cash equivalents	(2,451,625)	347,747
Cash and cash equivalents at beginning of year	7,928,801	7,581,054
Cash and cash equivalents at end of year	\$ 5,477,176	\$ 7,928,801
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents in current assets	\$ 4,808,547	\$ 7,433,277
Cash and cash equivalents included in assets limited as to use	668,629	495,524
Total cash and cash equivalents	\$ 5,477,176	\$ 7,928,801

Blount Memorial Hospital, Inc.

Statements of Cash Flows (continued)

	Year ended June 30	
	2015	2014
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 2,811,840	\$ (1,458,702)
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	17,225,398	16,152,257
Changes in operating assets and liabilities:		
Net patient accounts receivable	(103,266)	3,437,494
Inventories and prepaid expenses	109,465	429,745
Other assets	(595,276)	(31,797)
Accounts payable and other accrued expenses	(332,014)	(270,067)
Accrued compensation, benefits and withholdings	805,995	640,323
Estimated third party payor settlements	70,635	(18,828)
Net cash provided by operating activities	<u>\$ 19,992,777</u>	<u>\$ 18,880,425</u>

Noncash investing, capital and financing activities

At June 30, 2015, accounts payable and accrued expenses included \$693,248 for property and other capital additions.

Investment income includes decreases of \$2,253,886 in 2015 and increases of \$5,407,192 in 2014 to reflect the net change in fair value of investments during each year.

See accompanying Notes to Financial Statements.

Blount Memorial Hospital, Inc.

Notes to Financial Statements

June 30, 2015

1. Description of Reporting Entity and Significant Accounting Policies**Reporting Entity**

Blount Memorial Hospital, Inc. (the Hospital) is an acute and general healthcare provider formed to provide services to Blount County and the surrounding communities. The Hospital is a component unit of the County of Blount, Tennessee (the County), which issues debt on the Hospital's behalf (*Note 8*). The Hospital is organized as a private act hospital authority. The Hospital's board members are appointed by the County Commission of Blount County, the Board of Commissioners of the City of Alcoa, the Board of Commissioners of the City of Maryville and by the Board of Directors of Maryville College.

The Hospital uses enterprise fund accounting and is included as a discretely presented component unit in the financial statements of the County.

The Hospital is the sole corporate member of the Blount Memorial Foundation (the Foundation), which coordinates and secures resources to enable the Hospital to maintain, improve and advance medical care. The Hospital and the Foundation have common boards of directors and the financial activity of the Foundation is included (blended) in the Hospital's financial statements (*Note 12*). Separate financial statements of the Foundation are maintained by Foundation and Hospital management. Except for certain expenses paid directly by the Foundation, the Hospital provides administrative services and pays for operating expenses to support the Foundation's activities.

Blount Memorial Physician Group, Inc. (BMPG) is owned 100% by the Hospital and governed by the Hospital's board of directors. The financial activity of BMPG is also included (blended) in the Hospital's financial statements (*Note 12*). BMPG provides physician and outpatient services in Blount County and includes over 80 physicians in a multi-specialty practice. Separate financial statements are maintained by Hospital management.

The Hospital has a non-controlling ownership interest in a partnership which operates a medical facility in Blount County consistent with the Hospital's mission of providing healthcare services. This ownership investment is included in other assets at June 30, 2015 and 2014 (*Note 7*).

All significant intercompany accounts and transactions with blended component units have been eliminated.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

1. Description of Reporting Entity and Significant Accounting Policies (continued)

Basis of Presentation

The Hospital's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for all state and local governmental entities. GASB requires the classification of net position into three components which are defined as follows:

Net investment in capital assets - This component of net position consists of property and equipment, net of accumulated depreciation, reduced by the outstanding balances of bonds and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of the net investment in capital assets. Rather, that portion of the debt or deferred inflow of resources is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. The restricted component is separated into nonexpendable and expendable. Net position subject to externally imposed stipulations that the Hospital maintain them permanently are nonexpendable. Net position on which use by the Hospital is subject to externally imposed stipulations that can be fulfilled by action of the Hospital pursuant to those stipulations or that expire by the passage of time are expendable.

Unrestricted - This component of net position consists of the net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted components of net position.

Cash and Cash Equivalents

The Hospital considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

1. Description of Reporting Entity and Significant Accounting Policies (continued)

Patient Accounts Receivable

Accounts receivable from patients and third-party payors (*Note 4*) are recorded on the accrual basis in the period in which services are rendered. The Hospital does not require collateral on accounts receivable. In evaluating the collectability of accounts receivable, the Hospital analyzes historical collection rates and write-offs and identifies trends for payors to estimate appropriate allowance amounts. Accounts are charged to bad debt expense as they are determined to be uncollectible based on a review of aging and collections.

Inventories

Inventories are stated at the lower of cost or market and are valued principally by methods which approximate the first-in, first-out method.

Investments

Investments are recorded at fair value based on quoted market prices. Interest and dividends on investments, as well as realized and unrealized gains and losses, are included in non-operating income when earned.

The Hospital is organized as a private act hospital authority, which provides the Hospital additional rights and powers including the manner in which funds are invested. The Hospital diversifies its investments into a broad range of asset classes in order to reduce concentration risk and to maximize return with reasonable and prudent levels of risk. It is also the Hospital's policy to limit the maximum position for each type of investment at varying levels within these classifications. As of June 30, 2015, the Hospital's fixed income investments all have quality ratings of A or better (by both Standard & Poor's and Moody's).

To limit its exposure to fair value losses arising from changing interest rates, the Hospital's investment policy restricts the type and maturities of fixed income investments in order to increase the overall investment horizon. The current duration of the Hospital's fixed income investments ranges up to approximately 8 years with an average duration of 3.8 years, based on timing of interest payments, maturity dates, and expectations of minimal interest rate changes.

Assets Limited as to Use by Board and Foundation

Certain investments have been designated by the Board of Directors for the replacement of property and equipment or for other purposes. Cash and investments held by the Foundation in trust accounts are also classified as assets limited as to use (*Note 2*). A portion of the investment at June 30, 2015 and 2014 totaling \$1,074,686 and \$1,060,420, respectively, is restricted in perpetuity (nonexpendable) under an irrevocable endowment trust.

Blount Memorial Hospital, Inc.

Notes to Financial Statements (continued)

June 30, 2015

1. Description of Reporting Entity and Significant Accounting Policies (continued)**Property and Equipment**

Land, buildings and equipment are stated on the basis of cost or fair value at date of donation. Although title to certain land and buildings rests with the County, these assets have been recorded by the Hospital as the County has authorized their use by the Hospital. Repairs and maintenance costs are expensed as incurred while significant asset purchases and improvements are capitalized. Depreciation of property and equipment is computed by the straight-line method over the estimated useful lives of the assets. The estimated useful lives are based on guidelines established for the healthcare industry, which are summarized as follows:

Land improvements	8 to 25 years
Buildings, improvements and fixed equipment	10 to 30 years
Equipment	3 to 15 years

Accrual for Compensated Absences

The Hospital recognizes an expense and accrues a liability for compensated future employee absences in the period in which employees' rights to such compensated absences are earned.

Operating Revenues and Expenses

Revenue and expenses associated with the Hospital's mission of providing healthcare services are considered to be operating activities. Non-operating revenues consist primarily of investment income (loss) and general contributions to the Hospital. Unrestricted resources will be applied first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Income Taxes

The Hospital is classified as a governmental organization exempt from income tax. The Foundation is a not-for-profit organization defined by Section 501(c)(3) of the Internal Revenue Code as other than a private foundation. Accordingly, no provision for income taxes has been included in the accompanying financial statements. BMPG is a corporation and subject to income taxes. BMPG has net operating loss carryforwards, resulting in deferred tax assets, which have been fully offset by valuation allowances.

Charity Care

The Hospital accepts patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Hospital. Charges at established rates related to charity care are not included in net patient service revenue.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

1. Description of Reporting Entity and Significant Accounting Policies (continued)

Patient Service Revenue

Patient service revenue is reported in the period in which services are provided, at rates which reflect the amount expected to be collected. Net patient service revenue includes amounts estimated by management to be reimbursable by third party payors under provisions of reimbursement formulas in effect and is net of the provision for bad debts.

Risk Management

The Hospital is self-insured for medical malpractice and employee (including dependent) group health expenses and claims (*Note 9*). Commercial insurance is purchased for significant exposure to various other risks typical to the Hospital's operating environment and industry such as loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. There were no significant losses in excess of insurance coverage during the last three years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of: assets and liabilities; net position; disclosures of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain amounts in 2014 have been reclassified to conform to 2015 classifications.

2. Cash, Cash Equivalents and Assets Limited as to Use

The Hospital's cash and cash equivalent balances are on hand with financial institutions participating in the Bank Collateral Pool, which is administered by the Collateral Pool Board and monitored by the Treasury Department of the State of Tennessee.

BMPG's cash balances at financial institutions are covered by Federal Deposit Insurance Corporation (FDIC) insurance (credit risk category insured), subject to certain limits. At June 30, 2015, BMPG balances exceeded the limits by approximately \$240,000 (uninsured credit risk category).

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

2. Cash, Cash Equivalents and Assets Limited as to Use (continued)

The assets limited as to use by Board and those held by trustees include U.S. Government instruments and other securities held at financial institutions in the Hospital's name (uninsured credit risk category) and are categorized by investment type as follows as of June 30:

	2015	%	2014	%
Money market funds (cash equivalents)	\$ 336,997	0%	\$ 150,399	0%
U.S. Government Agency securities	7,614,185	7%	8,997,194	8%
Municipal bonds	3,371,794	3%	6,015,475	6%
Corporate bonds	7,607,157	7%	10,616,375	10%
Common stock	1,288,083	1%	—	0%
Bond mutual funds	37,332,002	36%	42,726,561	39%
Equity mutual funds	48,122,875	46%	39,838,351	37%
	<u>\$105,673,093</u>	<u>100%</u>	<u>\$108,344,355</u>	<u>100%</u>

Net investment (loss) income on assets limited as to use includes as of June 30:

	2015	2014
Interest and dividends	\$ 1,185,844	\$2,505,335
Net realized and unrealized investment (loss) gain	<u>(2,253,886)</u>	<u>5,407,192</u>
	<u>\$ (1,068,042)</u>	<u>\$7,912,527</u>

The Foundation's cash balances at financial institutions are covered by FDIC insurance (risk category insured), subject to certain limits. Foundation assets limited as to use are comprised of the following as of June 30:

	2015	2014
Cash	\$ 22,923	\$ 75,155
Money market funds (cash equivalents)	308,709	269,970
Bond mutual funds	492,573	470,605
Equity mutual funds	715,510	748,490
	<u>\$1,539,715</u>	<u>\$1,564,220</u>

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

3. Net Patient Service Revenue

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the Statements of Revenues, Expenses and Changes in Net Position is as follows for the year ended June 30:

	2015	2014
Gross patient service charges	\$ 809,173,131	\$ 747,615,994
Contractual adjustments and discounts	(564,165,442)	(514,382,294)
Charity care charges foregone	(38,331,218)	(37,564,748)
Provision for bad debts	(14,806,798)	(12,854,236)
Net patient service revenue	<u>\$ 191,869,673</u>	<u>\$ 182,814,716</u>

HITECH was enacted as part of the American Recovery and Reinvestment Act of 2009. Under HITECH, the Hospital must implement a certified electronic health record in an effort to promote the adoption and meaningful use of health information technology. It is the Hospital's policy to recognize such revenue when there is reasonable assurance the condition specified for compliance within the applicable statutes will be met and the grant will be received. Accordingly, during 2015 and 2014 the Hospital recorded approximately \$2,247,000 and \$932,000, respectively, of incentive payments under Medicare and TennCare programs related to meeting meaningful use objectives mandated by HITECH. These incentive payments are included as a component of net patient service revenue.

4. Third Party Payor Agreements

The Hospital renders services to patients under contractual arrangements with the Medicare and TennCare programs. Laws, regulations and contracts governing third party payor programs can be extremely complex and subject to interpretation. Amounts earned under these contractual arrangements are subject to regulatory review and final determination by the various program intermediaries and other appropriate governmental authorities or their agents. As a result, there is at least a reasonable possibility that recorded estimates related to third party payor agreements could change in the near term. In the opinion of management, adequate provision has been made in the financial statements for any adjustments which may result from such reviews.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)

June 30, 2015

4. Third Party Payor Agreements (continued)

The Medicare program pays for inpatient services on a prospective basis primarily based upon diagnostic related group assignments as determined by the patient's clinical diagnosis and medical procedures utilized. The Hospital receives additional payments from Medicare based on the provision of services to a disproportionate share of low income patients (as defined by the Medicare program). Medicare also pays for outpatient services on a prospective basis based upon ambulatory payment classifications and fee schedules. TennCare reimbursement for both inpatient and outpatient services is based upon prospectively determined rates and per diem amounts.

Contractual adjustments for Medicare, TennCare and other third party discount arrangements are recognized when the related revenues are reported in the financial statements. The percentage of gross patient charges from the Medicare and TennCare programs was approximately 31% and 10% in both 2015 and 2014.

The Hospital has reimbursement agreements with commercial insurance companies, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates, per diems and discounts from established charges.

5. Acquisition of Maryville Surgical Center, LLC

Effective January 15, 2015, the Hospital acquired substantially all assets of Maryville Surgical Center, LLC (MSC). The acquisition was accounted for as a purchase transaction where the Hospital recorded all assets acquired at their fair values on the date of acquisition. The following table presents the allocation of the purchase price to assets acquired based on their estimated fair values.

Medical and other equipment	\$ 527,475
Inventory, surgical instruments and other	293,529
Accounts receivable	193,806
Other assets	211,091
Total cash consideration	<u>\$1,225,901</u>

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

6. Property and Equipment

A summary of changes in property and equipment is as follows:

	Balance July 01, 2014	Additions	Retirements and Transfers	Balance June 30, 2015
Cost:				
Land	\$ 12,018,917	\$ 42,462	\$ —	\$ 12,061,379
Land improvements	2,382,783	—	—	2,382,783
Buildings, improvements, and fixed equipment	164,780,787	5,285,831	(851,779)	169,214,839
Equipment	122,964,891	12,691,118	(832,894)	134,823,115
Construction in progress	1,068,926	1,472,599	(1,068,926)	1,472,599
Total cost	303,216,304	19,492,010	(2,753,599)	319,954,715
Allowances for depreciation:				
Land improvements	(2,302,911)	(8,598)	—	(2,311,509)
Buildings, improvements, and fixed equipment	(85,319,916)	(6,265,364)	766,600	(90,818,680)
Equipment	(90,888,984)	(9,988,640)	832,894	(100,044,730)
Total allowances	(178,511,811)	(16,262,602)	1,599,494	(193,174,919)
Net property and equipment	\$124,704,493	\$ 3,229,408	\$(1,154,105)	\$126,779,796

Construction in progress at June 30, 2015 includes costs primarily related to the renovation and upgrades to the building with total estimated costs to complete of approximately \$1,325,000.

	Balance July 01, 2013	Additions	Retirements and Transfers	Balance June 30, 2014
Cost:				
Land	\$ 11,050,183	\$ 968,734	\$ —	\$ 12,018,917
Land improvements	2,382,783	—	—	2,382,783
Buildings, improvements, and fixed equipment	156,857,030	8,000,873	(77,116)	164,780,787
Equipment	117,169,436	5,934,854	(139,399)	122,964,891
Construction in progress	2,380,690	86,734	(1,398,498)	1,068,926
Total cost	289,840,122	14,991,195	(1,615,013)	303,216,304
Allowances for depreciation:				
Land improvements	(2,294,273)	(8,638)	—	(2,302,911)
Buildings, improvements, and fixed equipment	(79,120,632)	(6,276,400)	77,116	(85,319,916)
Equipment	(82,038,142)	(8,969,401)	118,559	(90,888,984)
Total allowances	(163,453,047)	(15,254,439)	195,675	(178,511,811)
Net property and equipment	\$126,387,075	\$ (263,244)	\$(1,419,338)	\$124,704,493

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

7. Other Assets

Other assets include a \$2,040,000 investment in a partnership, and the following net intangible assets at June 30:

	2015	2014
Goodwill	\$2,378,063	\$2,449,046
Trade name	1,450,568	1,431,391
Non-compete agreements	157,153	785,770
Medical records	494,963	472,810
Workforce	973,668	968,772
Other	609,364	125,000
	<u>\$6,063,779</u>	<u>\$6,232,789</u>

Goodwill and trade name are being amortized over a period of ten to forty years. Medical records and workforce are amortized over a period of ten to twenty years. The non-compete agreements are being amortized over a period of three years. Amortization expense for intangibles was \$962,796 and \$866,021 for the years ended June 30, 2015 and 2014, respectively. Amortization expense for the next three years related to these intangible assets is estimated to approximate \$419,000, \$237,000 and \$212,000.

8. Long-term Debt

Changes in long-term debt are summarized as follows:

	Balance July 01, 2014	Additions	Principal Payments	Balance June 30, 2015
Series 2013A Bonds	\$85,925,000	\$ —	\$ 3,375,000	\$ 82,550,000
Series 2014 Bonds	4,288,400	—	797,438	3,490,962
Total outstanding	90,213,400	\$ —	\$ 4,172,438	86,040,962
Less current portion	(4,172,438)			(4,091,778)
Long-term portion	<u>\$86,040,962</u>			<u>\$81,949,184</u>

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

8. Long-term Debt (continued)

	Balance July 01, 2013	Additions	Principal Payments	Balance June 30, 2014
Series 1998B Bonds	\$ 7,500,000	\$ —	\$ 7,500,000	\$ —
Series E-5-A Bonds	89,125,000	—	89,125,000	—
Series 2013A Bonds	—	89,125,000	3,200,000	85,925,000
Series 2014 Bonds	—	4,288,400	—	4,288,400
Total outstanding	96,625,000	\$93,413,400	\$99,825,000	90,213,400
Less current portion	(4,115,000)			(4,172,438)
Long-term portion	<u>\$92,510,000</u>			<u>\$86,040,962</u>

Blount County issued, on behalf of the Hospital, Hospital Revenue Improvement Bonds, Series 1998B, in December 1998. The Series 1998B Bonds were subject to redemption at the option of the County, in whole or in part, at the redemption price of par, without premium, plus accrued interest to the redemption date. The County exercised its redemption option in January 2014.

In August 2008, Blount County issued, on behalf of the Hospital, \$96,350,000 of Local Government Public Improvement Bonds, Series E-5-A. The Series E-5-A Bonds were subject to redemption at the option of the County, in whole or in part, at the redemption price of par plus accrued interest to the redemption date. The County exercised its redemption option in December 2013.

To refund the Series E-5-A Bonds, in December 2013 Blount County issued, on behalf of the Hospital, \$89,125,000 of General Obligation Refunding Bonds, Series 2013A. The Series 2013A Bonds bear interest at a variable rate based on the product of the one month Libor rate (.184% at June 30, 2015) and a factor (67% at June 30, 2015) plus the applicable spread based on the investment rating of the bonds (.43% at June 30, 2015). The Series 2013A Bonds mature in increasing annual amounts ranging from \$3,525,000 in 2016 to \$8,425,000 in 2029 and are subject to redemption at the option of the County, in whole or in part, at the redemption price of par plus accrued interest to the redemption date. There was no difference between the reacquisition price and the net carrying amount of the old debt. The Hospital completed the refunding to reduce its total debt service payments over the following 16 years by approximately \$210,000, which resulted in an economic gain (difference between the present value of the old and new debt service payments) of approximately \$160,000.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

8. Long-term Debt (continued)

In January 2014, Blount County issued on behalf of the Hospital, \$4,288,400 of Hospital Revenue Refunding Bonds, Series 2014. The Series 2014 Bonds were used to refund the Series 1998B bonds. The Series 2014 Bonds mature in varying annual amounts ranging from \$566,778 to a final payment of approximately \$842,000 on July 1, 2019 at an interest rate of 1.68%. The Series 2014 Bonds are subject to redemption at the option of the County, in whole or in part, at the redemption price of par, without premium, plus accrued interest to the redemption date. There was no difference between the reacquisition price and the net carrying amount of the old debt. The Hospital completed the refunding to reduce its total debt service payments over the following 6 years by approximately \$810,000, which resulted in an economic gain (difference between the present value of the old and new debt service payments) of approximately \$650,000.

To protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the Hospital utilized two separate interest rate swap agreements to effectively fix the interest rates on a portion of the bonds. One interest rate swap agreement maturing in June 2026 establishes interest at an effective rate of 4.90% on \$25,000,000. The second interest rate swap agreement maturing in June 2029 establishes interest at an effective rate of 4.33% on \$30,700,000. The counterparties to these agreements owe the Hospital interest based on a variable rate that is calculated based on a published index rate. The bond principal subject to the swap agreements is not exchanged; only the net difference in interest payments is exchanged with the counterparties and recorded by the Hospital as interest expense. The Hospital, through the trustee, continues to pay interest to the bondholders at the variable rate provided for by the bonds. During the term of each swap agreement, the Hospital effectively pays a fixed rate on the debt plus or minus the difference between the variable rate due on the bonds and the variable rate received from the counterparty.

The Hospital records the fair value liability of its interest rate swaps, which were determined by an independent third-party advisory firm from a model that calculates future cash flows by projecting forward rates and then discounts those cash flows to their present value. The fair value liability of the interest rate swaps increased by \$740,765 in 2015 and \$410,637 in 2014.

As of June 30, 2015, the Hospital was not exposed to credit risk because the swaps have negative fair values. However, should interest rates change and the fair value of the swaps become positive, the Hospital would be exposed to credit risk in the amount of the fair value of the swaps. As of June 30, 2015, the counterparty to the swaps, Deutsche Bank, was rated A3/BBB+/A by Moody's, Standard & Poor's and Fitch, respectively.

The Hospital is exposed to variable rates if the counterparty to the swaps defaults, if the variable rate received from the counterparty is less than that due on the bonds or if the swaps are terminated. The termination of the swap agreements could also result in the Hospital making or receiving a termination payment.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)

June 30, 2015

8. Long-term Debt (continued)

Maturities and mandatory sinking fund payments related to the balances outstanding as of June 30, 2015, are summarized as follows:

	Series 2013A	Series 2014	Total
2016	\$ 3,525,000	\$ 566,778	\$ 4,091,778
2017	3,700,000	626,295	4,326,295
2018	3,875,000	692,100	4,567,100
2019	4,075,000	763,889	4,838,889
2020	4,275,000	841,900	5,116,900
2021 – 2025	31,700,000	—	31,700,000
2026 – 2029	31,400,000	—	31,400,000
	<u>\$82,550,000</u>	<u>\$3,490,962</u>	<u>\$86,040,962</u>

Future interest payments related to the bonds are as follows (interest for variable portion of the Series 2013A Bonds is determined using the rate in effect at June 30, 2015, which was 0.55%).

	Series 2013A	Series 2014	Total
2016	\$ 2,702,238	\$ 53,848	\$ 2,756,086
2017	2,682,654	43,822	2,726,476
2018	2,662,102	32,743	2,694,845
2019	2,640,570	20,508	2,661,078
2020	2,617,932	7,014	2,624,946
2021 – 2025	10,941,112	—	10,941,112
2026 – 2029	3,395,439	—	3,395,439
	<u>\$27,642,047</u>	<u>\$ 157,935</u>	<u>\$27,799,982</u>

The revenues of the Hospital are pledged as collateral for the Series 2014 Bonds. The bond agreements require the Hospital to maintain certain financial and other covenants.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)

June 30, 2015

9. Malpractice Trust Fund and Employee Group Health Claims

The Hospital is covered under the "Tennessee Governmental Tort Liability Act" (T.C.A. 29-20-101, et seq). In addition to requiring claims be made in conformance with this Act, special provisions include, but are not limited to, special notice of requirements imposed upon the claimant, a one year statute of limitations, and a requirement that the governmental entity purchase insurance or be self-insured with certain limits. This Act also prohibits a judgment or award exceeding the minimum amounts of insurance coverage set out in the Act or the amount of insurance purchased by the governmental entity.

The Hospital is self-insured for professional malpractice liability coverage. Claims and expenses of \$105,475 and \$137,447 were paid during 2015 and 2014, respectively. At June 30, 2015, the Hospital is involved in medical malpractice litigation in which management of the Hospital, after consultation with legal counsel, is of the opinion that liability, if any, related to these claims would not be material to the financial statements. No amounts are accrued for potential losses related to unreported incidents or reported incidents which have not yet resulted in asserted claims as the Hospital is not able to estimate such amounts.

The Hospital is self-insured for employee (and dependent) group health claims and records a liability for claims known but unpaid and estimated claims incurred but not reported. The liability for employee group health claims was \$1,059,607 and \$1,323,181 at June 30, 2015 and 2014, respectively. The total expense related to employee group health claims (net of employee paid premiums) was approximately \$12,009,000 and \$12,482,000 for 2015 and 2014, respectively.

10. Fair Value

The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Mutual funds and common stocks are valued using prices quoted in active markets for those securities, while the debt securities are valued based on the securities' relationship to benchmark quoted prices. Derivative instruments are valued using a market approach that considers benchmark interest rates.

As of and for the years ended June 30, 2015 and 2014, the Hospital has adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which provides for enhanced disclosures of fair value measurements.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

10. Fair Value (continued)

The following table sets forth by level, within the fair value hierarchy, the fair value of the Hospital's investments (assets limited as to use) as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
Debt securities:				
U.S. Government Agency Securities	\$ —	\$ 7,614,185	\$ —	\$ 7,614,185
Corporate bonds	—	7,607,157	—	7,607,157
Municipal bonds	—	3,371,794	—	3,371,794
Total debt securities	—	18,593,136	—	18,593,136
Mutual funds:				
Money market funds	645,706	—	—	645,706
Bond funds	37,824,575	—	—	37,824,575
Equity funds	48,838,385	—	—	48,838,385
Total mutual funds	87,308,666	—	—	87,308,666
Common stock	1,288,083	—	—	1,288,083
Total investments by fair value level	\$88,596,749	\$18,593,136	\$ —	\$107,189,885
Derivative instruments:				
Interest rate swaps	\$ —	\$11,145,815	\$ —	\$ 11,145,815

The following table sets forth by level, within the fair value hierarchy, the fair value of the Hospital's investments (assets limited as to use) as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
Debt securities:				
U.S. Government Agency Securities	\$ —	\$ 8,997,194	\$ —	\$ 8,997,194
Corporate bonds	—	10,616,375	—	10,616,375
Municipal bonds	—	6,015,475	—	6,015,475
Total debt securities	—	25,629,044	—	25,629,044
Mutual funds:				
Money market funds	420,369	—	—	420,369
Bond funds	43,197,166	—	—	43,197,166
Equity funds	40,586,841	—	—	40,586,841
Total mutual funds	84,204,376	—	—	84,204,376
Total investments by fair value level	\$84,204,376	\$25,629,044	\$ —	\$109,833,420
Derivative instruments:				
Interest rate swaps	\$ —	\$10,405,050	\$ —	\$ 10,405,050

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)

June 30, 2015

11. Retirement Plan

The Blount Memorial Hospital Retirement Plan (the Plan) includes two defined contribution plans available to all employees who are age 18 or older. New participants who have completed 1,000 hours of service vest 20% each year from two years of service to six years of service. The Plan provides for the Hospital to contribute an amount equal to 3% of each eligible employee's compensation plus a matching contribution (limited to 3% of compensation) based upon voluntary employee contributions to the Plan. Plan contributions are made biweekly. Hospital contributions to the Plan, net of forfeitures used of approximately \$130,000 in both 2015 and 2014, totaled \$3,858,141 and \$3,733,159 in 2015 and 2014, respectively. Employee contributions were \$3,500,592 and \$3,535,826 in 2015 and 2014, respectively.

12. Blended Component Units

Condensed combining information for the Hospital and its blended component units (*Note 1*) is presented as follows:

Condensed Combining Statement of Net Position
June 30, 2015

	Hospital	Foundation	BMPG	Total
Assets				
Current assets	\$ 32,240,083	\$ —	\$2,087,212	\$ 34,327,295
Assets limited as to use	105,673,093	1,539,715	—	107,212,808
Property and equipment, net	126,779,796	—	—	126,779,796
Other noncurrent assets	8,103,779	—	—	8,103,779
Total assets	272,796,751	1,539,715	2,087,212	276,423,678
Deferred outflows of resources	11,145,815	—	—	11,145,815
Total assets and deferred outflows of resources	\$283,942,566	\$1,539,715	\$2,087,212	\$287,569,493
Liabilities and net position				
Current liabilities	\$ 23,370,209	\$ —	\$ 642,335	\$ 24,012,544
Long-term liabilities	93,094,999	—	—	93,094,999
Total liabilities	116,465,208	—	642,335	117,107,543
Net position:				
Net investment in capital assets	40,738,834	—	—	40,738,834
Restricted, nonexpendable	—	1,074,686	—	1,074,686
Unrestricted	126,738,524	465,029	1,444,877	128,648,430
Total net position	167,477,358	1,539,715	1,444,877	170,461,950
Total liabilities and net position	\$283,942,566	\$1,539,715	\$2,087,212	\$287,569,493

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

12. Blended Component Units (continued)

Condensed Combining Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2015

	Hospital	Foundation	BMPG	Total
Operating revenues:				
Net patient service revenue	\$163,863,929	\$ —	\$ 28,005,744	\$191,869,673
Other revenue	41,410,997	—	—	41,410,997
Total operating revenues	205,274,926	—	28,005,744	233,280,670
Operating expenses:				
Depreciation and amortization	17,225,398	—	—	17,225,398
Other operating expenses	171,338,776	368,131	41,536,525	213,243,432
Total operating expenses	188,564,174	368,131	41,536,525	230,468,830
Operating income (loss)	16,710,752	(368,131)	(13,530,781)	2,811,840
Nonoperating (expenses) revenues:				
Interest expense	(2,220,004)	—	—	(2,220,004)
Investment (loss) income	(1,114,883)	46,841	—	(1,068,042)
Contributions and other	185,437	296,785	—	482,222
Total nonoperating (expenses) revenues	(3,149,450)	343,626	—	(2,805,824)
Increase (decrease) in net position	13,561,302	(24,505)	(13,530,781)	6,016
Net position at beginning of year	167,729,834	1,564,220	1,161,880	170,455,934
Transfers	(13,813,778)	—	13,813,778	—
Net position at end of year	\$167,477,358	\$1,539,715	\$ 1,444,877	\$170,461,950

Condensed Combining Statement of Cash Flows
Year ended June 30, 2015

	Hospital	Foundation	BMPG	Total
Net cash provided by (used in):				
Operating activities	\$34,443,682	\$(368,131)	\$(14,082,774)	\$ 19,992,777
Noncapital financing activities	133,615	296,785	—	430,400
Capital and related financing activities	(24,812,633)	—	—	(24,812,633)
Investing activities	(11,933,800)	57,853	13,813,778	1,937,831
Net decrease in cash and cash equivalents	(2,169,136)	(13,493)	(268,996)	(2,451,625)
Cash and cash equivalents at beginning of year	7,022,880	345,125	560,796	7,928,801
Cash and cash equivalents at end of year	\$ 4,853,744	\$ 331,632	\$ 291,800	\$ 5,477,176

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

12. Blended Component Units (continued)

**Condensed Combining Statement of Net Position
June 30, 2014**

	Hospital	Foundation	BMPG	Total
Assets				
Current assets	\$ 34,384,097	\$ —	\$2,074,211	\$ 36,458,308
Assets limited as to use	108,344,355	1,564,220	—	109,908,575
Property and equipment, net	124,704,493	—	—	124,704,493
Other noncurrent assets	8,272,789	—	—	8,272,789
Total assets	275,705,734	1,564,220	2,074,211	279,344,165
Deferred outflows of resources	10,405,050	—	—	10,405,050
Total assets and deferred outflows of resources	\$286,110,784	\$1,564,220	\$2,074,211	\$289,749,215
Liabilities and net position				
Current liabilities	\$ 21,934,938	\$ —	\$ 912,331	\$ 22,847,269
Long-term liabilities	96,446,012	—	—	96,446,012
Total liabilities	118,380,950	—	912,331	119,293,281
Net position:				
Net investment in capital assets	34,491,093	—	—	34,491,093
Restricted, nonexpendable	—	1,060,420	—	1,060,420
Unrestricted	133,238,741	503,800	1,161,880	134,904,421
Total net position	167,729,834	1,564,220	1,161,880	170,455,934
Total liabilities and net position	\$286,110,784	\$1,564,220	\$2,074,211	\$289,749,215

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

12. Blended Component Units (continued)

**Condensed Combining Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2014**

	Hospital	Foundation	BMPG	Total
Operating revenues:				
Net patient service revenue	\$157,556,127	\$ —	\$25,258,589	\$182,814,716
Other revenue	38,455,362	—	—	38,455,362
Total operating revenues	196,011,489	—	25,258,589	221,270,078
Operating expenses:				
Depreciation and amortization	16,152,257	—	—	16,152,257
Other operating expenses	168,731,605	569,138	37,275,780	206,576,523
Total operating expenses	184,883,862	569,138	37,275,780	222,728,780
Operating income (loss)	11,127,627	(569,138)	(12,017,191)	(1,458,702)
Nonoperating (expenses) revenues:				
Interest expense	(2,726,506)	—	—	(2,726,506)
Investment income	7,740,570	171,957	—	7,912,527
Contributions and other	846,410	580,372	—	1,426,782
Total nonoperating (expenses) revenues	5,860,474	752,329	—	6,612,803
Increase (decrease) in net position	16,988,101	183,191	(12,017,191)	5,154,101
Net position at beginning of year	162,982,610	1,381,029	938,194	165,301,833
Transfers	(12,240,877)	—	12,240,877	—
Net position at end of year	\$167,729,834	\$1,564,220	\$1,161,880	\$170,455,934

**Condensed Combining Statement of Cash Flows
Year ended June 30, 2014**

	Hospital	Foundation	BMPG	Total
Net cash provided by (used in):				
Operating activities	\$31,477,617	\$ (569,138)	\$(12,028,054)	\$18,880,425
Noncapital financing activities	867,250	580,372	—	1,447,622
Capital and related financing activities	(24,154,422)	—	—	(24,154,422)
Investing activities	(8,120,824)	54,069	12,240,877	4,174,122
Net increase in cash and cash equivalents	69,621	65,303	212,823	347,747
Cash and cash equivalents at beginning of year	6,953,259	279,822	347,973	7,581,054
Cash and cash equivalents at end of year	\$ 7,022,880	\$ 345,125	\$ 560,796	\$ 7,928,801

Blount Memorial Hospital, Inc.

List of Officials

June 30, 2015

Board of Directors

Robert Redwine, President

Ted Flickinger, M.D., Vice President

Jim Fiegle

Carolyn Forster

Francis Gross, Ed.D

Clarence Williams

David Pesterfield

David Cockrill

Denny Mayes

Executive Administration

Don Heinemann

Jane Nelson

Jonathan Smith

Sonya Newman

Clay Puckett

Connie Huffman

Harold Naramore, M.D.



Report of Independent Auditors on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To Management and the Board of Directors of
Blount Memorial Hospital, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Blount Memorial Hospital, Inc. (the Hospital) as of and for the year ended June 30, 2015, and the related notes to the financial statements and have issued our report thereon dated September 10, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



To Management and the Board of Directors of
Blount Memorial Hospital, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coulter & Justus, P. C.

Knoxville, Tennessee
September 10, 2015

Supplemental #1 -COPY-

Blount Memorial Hospital

CN1603-011



**Blount Memorial
Hospital**

907 East Lamar Alexander Parkway
Maryville, Tennessee 37804
865-983-7211

114

SUPPLEMENTAL #1

March 18, 2016

3:34 pm

Robert Redwine
President of the Board

David Pesterfield
Vice President of the Board

Don Heinemann
Chief Executive Officer

Medical Staff

Dr. Teresa Catron
Chief of Staff

Dr. John Niehammer
Vice Chief of Staff

March 15, 2015

Phillip Earhart
HSD Examiner
Tennessee Health Services Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application CN 1603-011 – Supplemental information requested

Dear Mr. Earhart:

In response to the additional information posed with regard to the above referenced Certificate of Need, the following responses are submitted:

1. Section A., Applicant Profile, Item 1

The applicant has listed the proposed project's address as 907 East Lamar Alexander Parkway, Maryville, TN. However, the LOI indicates the address is 2410 Highway 411 South, Maryville, TN. Please revise and submit a replacement page.

Response:

Please note the revision on the corrected Applicant Profile enclosed in Attachment A-1

2. Section A., Applicant Profile, Item 4

It is noted Blount Memorial Hospital was incorporated in 1946. However, please document the applicant is an active non-profit organization registered with the Tennessee Secretary of State. The web-site is: tnbear.tn.gov/Ecommerce/FilingDetail.

Response:

Enclosed please find a copy of the Tennessee Secretary of State form that shows that Blount Memorial Hospital is registered with the State as a NCORP in Attachment A-4.

3. Section A., Applicant Profile, Item 6

The warranty deed is noted. However, the deed does not specifically list the address of the property as 2410 Highway 411 South, Maryville, TN. Please clarify.

Response:

The warranty deed does not have to contain the specific address on the document, and since the property is vacant, no specific number was assigned by E911 at the time. Please note a letter from our attorneys Goddard and Gamble, who represented the Hospital in this transaction, verifying this information in Attachment A-6.

4. Section A., Applicant Profile, Item 9

The applicant lists 76 Nursing facility licensed beds in the bed complement chart. However, the Tennessee Department of Health's web-site indicates the applicant is licensed for 304 beds. Are the 76 nursing facility beds separately licensed as a nursing home? Please clarify.

Response:

Yes, the 76 bed Nursing facility is a Blount Memorial Hospital, Inc. facility licensed as nursing home beds under license # 00000000365. A copy of the license is included for your reference in Attachment A-9.

5. Section A., Applicant Profile, Item 13

The applicant states there are no relationships with out of area TennCare MCO's; however, there are no longer regionally contracted TennCare MCOs in Tennessee. Please clarify.

Response:

You are correct – there are no out of area TennCare MCO's. We are contracted with all three that operate in this State.

6. Section B., Project Description, Item I.

What is the distance from Blount Memorial Hospital's main campus to the proposed ED site?

Response:

The proposed site is 2.2 miles from Blount Memorial's main campus.

Please provide an overview of the applicant's experience in operating a satellite emergency facility.

Response:

March 18, 2016**3:34 pm**

While the hospital management has not operated a 'free standing' emergency department, we have operated an emergency department since the hospital began operations in 1947. The operation of a free standing emergency department would not be different from the main campus. We have a Director of our Emergency Department with twenty-seven years of experience in managing emergency services and critical care services, with a Master's of Science in Nursing and a Doctorate in Health Care Administration. We contract with Align, MD, an experienced emergency physician group with years of experience in emergency care.

If approved, what emergency services would require a patient transport to the main emergency department from the free standing emergency department?

Response:

Our Emergency Department serves as medical control for our service area and the emergency transport system (Rural Metro) will contact our ER physicians if they need guidance as to the appropriate destination for patients based on their medical condition. We have already met with Rural Metro to discuss the project and we intend to continue to work closely with Rural Metro during the implementation planning phase of the project. Patients with an acute MI, multi-system trauma, stroke, and severe head injuries would likely be taken to a main campus ER by emergency transport. However, there may be occasion when a family member brings a patient to the free standing ER with one of these conditions, and just as at an on-campus ER, the patient will be seen, treated, stabilized and transferred to the appropriate facility for continued care as needed.

Please clarify if mobile crisis staff will have access to conduct assessment. If so, where? Where will law enforcement be located?

Response:

As noted in the application, we plan on designating at least two seclusion rooms in which mobile crisis staff will have access to conduct assessments. We do not have law enforcement staff at our main emergency department and utilize our own security department to staff the area and would utilize our security staff for the free-standing emergency department as needed.

Many times emergency room copays are waived if the patient is admitted inpatient. Please clarify if this arrangement is possible at the proposed satellite ED.

March 18, 2016**3:34 pm**

Response:

Co-pays are determined by the managed care organization and the individual's plan benefit design and would be the same for any emergency room whether it is on the main campus or a free standing location.

Please clarify if an ambulance will be stationed at the satellite ED 24 hours/day, 7 days/week, 365 days/year for life-threatening transports to full service hospitals.

Response:

We have no plans at this time for an ambulance to be stationed at the satellite ED 24 hours/day, 7 days/week, 365 day/year. Through medical control, we plan to be as prepared as reasonable to limit the conditions that would need transport, but in the event it is necessary, the free standing ED staff will be capable of managing life threatening conditions just as the main campus ED manages life threatening conditions until it is necessary to move the patient to major trauma center if needed.

Please provide an overview of Align, MD and their experience of staffing a free standing Emergency Department. In your response, please include when the hospital contracted with Align, MD and why.

Response:

Align, MD provides emergency physician coverage for twenty-eight emergency departments in seven states, ranging from level one trauma centers to more rural settings. The Hospital selected Align, MD as the organization was invested in metric driven performance improvement initiatives and we had reason to believe we could improve the efficiency of the operation of the hospital's emergency services and expedite the care of patients. Our key metrics support the fact that Align, MD has proven to be the right partner in improving the operational efficiency.

Please discuss the capabilities of the proposed Emergency Department for those patients that present with signs/symptoms of heart attack. In your response, please discuss how the proposed freestanding emergency department would be different from the main hospital campus in terms of available resources.

Response:

The local EMS will direct patients with signs or symptoms of a possible heart attack to a main campus emergency department. However, should a patient develop symptoms of a possible heart attack in the free standing emergency department they would be appropriately seen, treated, stabilized and transported to the hospital for follow-up care as soon as it was safe to transport the patient. If someone is having an acute MI, it's to their advantage to go to the closest facility.

March 18, 2016**3:34 pm****7. Section C, project description, Item II.A and II.D**

The shelled space for future use is noted. If possible, please discuss the future plans for the shelled space.

Response:

While no definitive use of the shelled space has been determined, we felt it prudent to plan for the possible need to expand treatment room capability or diagnostic capability that may be unforeseen initially.

What plans were considered in adding a helipad to the site to facilitate rapid transport to major trauma centers?

Response:

We determined it was not necessary to add a helipad to the site as our main campus has a helipad on site and patients with conditions that would likely need transport to a major trauma center would be sent to the main campus ED rather than the free standing ED.

How many patients were transported by air ambulance from Blount Memorial Hospital to other hospitals in 2014?

Response:

In 2014, nine patients were transported by air ambulance to another hospital from Blount Memorial Hospital's ED.

Please complete the following table by indicating the number of treatment rooms, stations, and square footage for the existing hospital Emergency Department (ED) and proposed satellite ED.

Patient Care Areas other Than Ancillary Services	Hospital ED	Satellite ED	Combined ED's
Total Exam/Treatment Rooms	27	14	41
Multipurpose	11	9	30
Holding/Secure/Psychiatric	4	2	6
Isolation	2	1	3
Trauma	10	2	12
Triage stations	3	1	4
Decontamination Rooms/Stations -	*	1 room	
GST of Main and Satellite ED's	16,042	17,250	33,292

- We have a decontamination station located outside of the ED at our main campus that can serve multiple patients.

8. Section B, Project Description, Item III.A and III. B.1

March 18, 2016**3:34 pm**

Item III.A - The plot plan for the proposed facility is noted. However, please include the size in acres and submit a revised plot plan.

Response:

Please note the revised plot plan in Attachment B-III.A that does include the size of the property in acres.

It is noted there are two roadways in the rear of the plot plan. Please discuss the purpose of the roadways and destination.

Response:

There are two roadways in the rear of the property, but the paved areas have no name and end just beyond our property with no destination at this time.

Item II. B1 –

Please provide a source for the provided daily traffic counts of 11,000 to 32,760 for Highway 411.

Response:

The hospital worked with PYA, a consulting firm, on another project and as part of that project, PYA provided the traffic counts from a proprietary source they utilize.

Please complete the following table that shows distance to existing Hospital EDs for the applicant's primary service area zip codes:

Response:

See the completed chart below.

Distance to Hospital EDs from Zip codes in Applicant's Service Area

			To Blount Memorial Freestanding ED		To Blount Memorial Main Campus ED	
Zip Code	Community	County	Distance miles	Drive in minutes	Distance miles	Drive in minutes
37737	Friendsville	Blount	8.6	11.0	9.70	17.0
37701	Alcoa	Blount	6.2	11.0	3.42	9.0
37777	Louisville	Blount	10.0	17.0	9.22	20.0
37801	Maryville	Blount	4.6	7.0	8.94	16.0
37802	Maryville	Blount	2.5	4.0	6.62	13.0
37803	Maryville	Blount	3.6	7.0	5.30	10.0
37804	Maryville	Blount	8.0	18.0	4.24	8.0
37853	Rockford	Blount	10.4	18.0	7.05	15.0
37878	Tallassee	Blount	23.0	33.0	16.82	34.0

March 18, 2016**3:34 pm**

			To Blount Memorial Freestanding Ed		To Blount Memorial Main Campus Ed	
Zip			Distance	Drive in	Distance	Drive in
<u>Code</u>	<u>Community</u>	<u>County</u>	<u>miles</u>	<u>minutes</u>	<u>miles</u>	<u>minutes</u>
37882	Townsend	Blount	20.9	33.0	16.64	24.0
37886	Walland	Blount	14.4	23.0	10.12	14.0
37742	Greenback	Loudon	11.9	16.0	17.54	29.0
37771	Lenoir City*	Loudon	23.6	33.0	24.73	38.0
37772	Lenoir City*	Loudon	21.5	29.0	22.61	32.0
37774	Loudon*	Loudon	29.2	35.0	33.54	45.0
37846	Philadelphia*	Loudon	37.9	46.0	39.02	53.0
37314	Cokercreek*	Monroe	46.9	60.0	51.22	69.0
37354	Madisonville*	Monroe	25.4	33.0	29.69	43.0
37385	Tellico Plains*	Monroe	39.9	55.0	44.22	64.0
37874	Sweetwater*	Monroe	32.1	44.0	45.21	58.0
37885	Vonore	Monroe	20.0	24.0	24.4	35.0

***Note:** We do not consider these communities to be in our primary service area.

9. Section C, Need, Item 1 (Project Specific Criteria) Construction, Renovation, Item 3.a and Item 3.b

It is noted the applicant cites a standard of 1,500 visits per treatment room per year from the American College of Emergency Physicians. Please provide documentation and a source for the standard.

Response:

As indicated, the source is from the 2002 edition of the American College of Emergency Physicians provided by Cooper Architects.

The chart below outlines the American college of Emergency Medicine (ACEP) latest Guidelines for high and low estimates for emergency department areas and beds. Please complete the following chart for the proposed satellite emergency department and existing main emergency department for Year One of the project. In addition, please discuss the existing demand for the proposed project by using the guidelines found in the following chart.

Response:

I assumed that for the Hospital main ED you intended the last column to read "Estimated Area/Bed". See the response below.

March 18, 2016**3:34 pm**

**Emergency Department Design: A Practical Guide to Planning, 2002, American College of
Emergency Physicians – High and Low Estimates for dept. areas and beds**

<i>Projected Annual visits</i>	<i>Dept. Area</i>	<i>Gross</i>	<i>Bed Quantities</i>				<i>Estimated</i>
	<i>Low range dgsf</i>	<i>high range dgsf</i>	<i>low bed Qty.</i>	<i>low visits /bed</i>	<i>high bed Qty.</i>	<i>high visits /bed</i>	<i>Area /Bed</i>
10,000	7,200	9,900	8	1250	11	909	900 dsgf/bed
20,000	13,500	17,100	15	1333	19	1053	900 dsgf/bed
30,000	17,500	22,750	20	1500	26	1154	875 dsgf/bed
40,000	21,875	28,875	25	1600	33	1212	875/dsgf/bed
50,000	25,500	34,000	30	1667	40	1250	850 dsgf/bed
60,000	29,750	39,950	35	1714	47	1277	850 dsgf/bed
70,000	30,000	44,550	40	1750	54	1296	825 dsgf/bed

Source: Emergency Department Design: A Practical Guide to Planning, 2002, American College of Emergency Physicians, Page 71, Figure 6.5.

Applicant – Blount Memorial Hospital Satellite ED

<i>Projected Visits Yr. 1</i>	<i>Total Square Footage</i>	<i>Beds</i>	<i>Visits Per Bed</i>	<i>Estimated Area per Bed</i>
18,427	17,250	14	1,316	1,232

Applicant =- Blount Memorial Hospital Main ED

<i>Projected Visits Yr. 1</i>	<i>Total Square Footage</i>	<i>Beds</i>	<i>Visits Per Bed</i>	<i>Estimate Area per Bed</i>
45,227	16,042	27	1,675	594

It is noted the applicant projects a total of 133, 147 total ER visits for the 3 County service area in Year One of the proposed project. However, the applicant projects to capture on 63,654 ER visits or 47.8% of the total visits. Please discuss the outmigration of the remaining 52.2% ER patients and provide the latest statistics from the Tennessee Hospital Association indicating where ER patients from the 3 County service area received services for the most recent year available.

Response:

The project will serve to help off load the volume at the hospital's main campus ER. We do not consider all of Monroe and Loudon counties our primary service area – only select areas from those respective counties. Note the response in Item II.B 1 that indicates that Lenoir City, Loudon, Philadelphia, Coker creek, Madisonville, Tellico Plains and Sweetwater are not

March 18, 2016**3:34 pm**

considered part of our primary service area, though we do occasionally have patients who utilize our Emergency Department from those areas. Hence, we would not expect to capture a majority of the market when considering all three counties together. The latest statistics from the Tennessee Hospital Association indicating where ER patients reside from the 3 county service area by ER utilized shows:

Latest year of THA ER Utilization**July 2014 – June 2015**

County of Residence	Facility	Visits	Market Share
Blount	Blount Memorial	42,832	67.8%
	E.TN Childrens	6,231	9.9%
	Ft. Loudon Med. Cntr.	438	.7%
	Ft. Sanders Reg.	1,406	2.2%
	Parkwest Med. Cntr.	1,860	2.9%
	Sweetwater Hosp. Assn.	111	.2%
	Tennova – Turkey Crk.	473	.7%
	UT Medical Cntr.	8,506	13.5%
	Other	1,296	2.1%
TOTAL	All	63,153	100.0%
Loudon	Blount Memorial	2,013	6.8%
	E. TN Childrens	1,932	6.5%
	Ft. Loudon Med. Cntr.	15,145	51.2%
	Ft. Sanders Reg.	345	1.2%
	Parkwest Med. Cntr.	4,060	13.7%
	Sweetwater Hosp. Assn.	2,429	8.2%
	Tennova – Turkey Crk.	1,107	3.7%
	UT Medical Cntr.	1,473	5.0%
	Other	1,058	3.7%
TOTAL	All	29,562	100.0%
Monroe	Blount Memorial	3,309	9.8%
	E. TN Childrens	1,337	4.0
	Ft. Loudon Med. Cntr.	1,497	4.4%
	Ft. Sanders Reg.	132	.4%
	Parkwest Med. Cntr.	1,139	3.4%
	Sweetwater Hosp. Assn.	18,257	54.1%
	Tennova – Turkey Crk.	176	.5%
	UT Medical Cntr.	1,469	4.4%
	Other	6,418	19.0%
TOTAL	All	33,734	100.0%

March 18, 2016**3:34 pm****10. Section C, Need, Item 4.A.**

Your response to this item is noted. Using population data from the Department of health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for your proposed service area.

Response:

The chart below is completed.

<i>Variable</i>	<i>Blount</i>	<i>Loudon</i>	<i>Monroe</i>	<i>3 County</i>	
				<i>Area</i>	<i>TN</i>
<i>Current Yr. 2016, Age 65 +</i>	26,259	15,089	10,398	51,746	1,092,119
<i>Projected 2020, Age 65 +</i>	30,754	17,908	12,384	61,046	1,267,962
<i>Age 65 +, % Change</i>	+ 17.1%	+ 18.7%	+ 24.7%	+18.0%	+16.1%
<i>Age 65+, % Total (2016)</i>	19.7%	27.8%	21.7%	22.0%	16.0%
<i>2016, Total Population</i>	133,236	54,261	47,980	235,477	6,811,303
<i>2020, Total Population</i>	139,725	57,923	50,062	247,710	7,112,424
<i>Total Pop. % Change</i>	+ 4.9%	+ 6.7%	+ 4.3%	+ 5.2%	+4.4%
<i>TennCare Enrollees</i>	23,206	9,459	12,154	44,819	1,515,333
<i>TennCare Enrollees</i>					
<i>% of Total Population</i>	17.4%	17.4%	25.3%	20.03%	22.2%
<i>Median Age Range*</i>	45-49	45-49	45-49	45-49	35-39
<i>Median Household Income</i>					
<i>(2010 dollars)</i>	\$41,736	\$47,206	\$35,833	\$41,592**	\$44,621
<i>Population % Below Poverty</i>					
<i>Level</i>	14.0%	14.3%	19.4%	15.9%**	18.3%

*Note: The exact median age was not available, so a range is provided. **The 3 county area figures are calculated as an average of the 3 counties.

11. Section C, Need, Item 4-B.

Please indicate if there are any medically underserved areas as designated by the U.S. Department of Health and Human Services in the 3 County service area.

Response:

According to the US Department of Health and Human Services website, as of 2012 Monroe and Loudon Counties were considered 'Whole County Medically Underserved Areas', and Blount County was considered a 'Partial County Medically Underserved Area'.

12. Section C, Need, Item 5

Please provide the historical ED visit volumes for each of the past three years for each hospital in Loudon and Monroe Counties by completing the following chart.

March 18, 2016**3:34 pm**

Hospital	2012 Visits	2013 Visits	2014 Visits	% change '12-'14
Ft. Loudon				
Med. Center	20,916	19,591	19,553	-6.5%
Sweetwater				
Hosp. Assoc.	23,553	23,455	24,846	+5.5%

13. Section C, Need, Item 6.

Blount Memorial Hospital's ED historical visits do not match the visits reported in the 2013 and 2014 Joint Annual Reports. Please explain. If needed, please revise and resubmit historical Ed visit data.

Response:

The JAR Data is correct. The Fiscal 2013 figure in historical data is correct. However, the Fiscal Yr. figures for 2014 and 2015 should be 51,194 and 54,502 respectively instead of 51,209 and 54,461 first reported for Fiscal Years '14 and '15.

Please clarify if the emergency visits reported for the years 2013-2015 on the bottom of page 19 were patients presented, or were treated.

Response:

The visits reflect patients presented.

The emergency use rates/1000 population on page 20 of the application is noted. However, please explain how the use rates were calculated.

Response:

The high and low use rates were calculated and an average was utilized and applied to the corresponding population data.

The applicant provides an analysis of several Zip Codes in the service area. For those not familiar with the service area, please provide a legible map of the Zip Codes in the 3 County service area.

Response:

Please note the enclosed map in Attachment C-6 showing zip codes in the 3 county area.

It is noted the applicant market share of ED visits in the 3 County service area was 37% in 2014, 39% in the first half of 2015, and is Projected to be 42% in 2018. What is the source of this data? Additionally, please provide market share for each county individually.

March 18, 2016**3:34 pm****Response:**

The source was THA Market IQ Data. The latest 12 months of Blount Memorial Hospital market share for each individual county is presented under questions 9C Need Item I and Item 3a & b of this correspondence and is repeated here:

Last 12 Months	
<u>County</u>	<u>BMH Market Share</u>
Blount County	67.8%
Loudon County	6.8%
Monroe County	9.8%

Please identify existing urgent care centers in the applicant's service area by completing the table below:

Response:

Though no Urgent Care Centers were found in our primary service area, the following facilities were listed as Urgent Care centers in Loudon and Monroe Counties. However, when two of the centers were contacted to verify hours, the telephone numbers had been disconnected.

Urgent Care Centers in Applicant's Proposed Service Area

Urgent Care Center Name	Address	Distance from Proposed Ed	Operating Hours
Lakeway Urgent Care #	460 Medical Park Lenoir City, TN 37772	21.3 miles	M-F 8:30 am-6 pm; Sat. 10a-4p Sun. closed
Urgent Care of Sweetwater #	791 N. Main Street Sweetwater, TN 37874	32.3 miles	Not available
Fast Pace Urgent Care	791 New Highway 68 Sweetwater, TN 37874	34.6 miles	M-Th 8a-8p Fri. – 8a – 6p Sat. 8

Note: Lakeway Urgent Care and Urgent Care of Sweetwater were contacted to determine hours of operation, but the phones were disconnected and it is doubtful they are in operation.

Please complete the following table for ED patient origin by zip code for Calendar Year 2015 for zip codes with patient origin over 0.15%.

March 18, 2016**3:34 pm****ED visits by Residents of Applicant's 3 County Service Area, 2015**

Patient Zip Code	Patient Community	Patient County	Total Patients Treated	Cumulative Patients Treated	% by Zip Code	Cummulative %
37737	Friendsville	Blount	1,919	1,919	3.3%	3.3%
37701	Alcoa	Blount	3,193	8,267	5.5%	8.8%
37777	Louisville	Blount	3,155	21,267	5.5%	14.3%
37801	Maryville	Blount	13,000	21,906	22.5%	36.8%
37802	Maryville	Blount	639	31,843	1.1%	37.9%
37803	Maryville	Blount	9,937	41,887	17.2%	55.1%
37804	Maryville	Blount	10,044	43,285	17.4%	72.5%
37853	Rockford	Blount	1,398	43,554	2.4%	74.9%
37878	Tallassee	Blount	269	43,554	.5%	75.4%
37882	Townsend	Blount	1,200	44,754	2.1%	77.5%
37886	Walland	Blount	1,871	46,625	3.2%	80.7%
37742	Greenback	Blount	1,702	48,327	2.9%	83.6%
37771	Lenoir City	Loudon	109	48,436	.2%	83.8%
37772	Lenoir City	Loudon	110	48,546	.2%	84.0%
37774	Loudon	Loudon	147	48,693	.3%	84.3%
37846	Philadelphia	Loudon	0	48,693	0%	84.3%
37314	Coker creek	Monroe	5	48,698	.009%	84.3%
37354	Madisonville	Monroe	1,779	50,477	3.1%	87.4%
37385	Tellico Plains	Monroe	629	51,106	1.1%	88.5%
37874	Sweetwater	Monroe	195	51,301	.3%	88.8%
37885	Vonore	Monroe	919	52,220	1.6%	90.4%
Total for these zips			52,220		90.4%	

Please complete the following table for Blount Memorial patients treated from 2014 and 2015 and projected in 2016 and project Year One by level of care.

Blount Memorial Medical Center ED Utilization by Level of Care**Fiscal Year and FYTD for 2016**

Level of Care	Main ED 2014	Main ED 2015	Main ED Projected 2016	Main ED Year 1	Satellite ED Year 1	Combined ED's Year 1
I	3,602	3,759	4,652	3,618	368	3,082
II	11,103	10,117	7,379	7,236	1,659	9,447
III	14,607	16,033	15,936	11,759	6,081	18,745
IV	12,138	16,863	26,292	16,734	7,739	23,921
V	7,895	8,514	7,752	5,879	2,580	8,459
Total	49,345	55,286	62,011	45,227	18,427	63,654

March 18, 2016**3:34 pm**

Please complete the following chart for projected ED utilization by zip code in Year 1 of the proposed Satellite ED project for zip codes with patient origin **over 0.15%**.

Satellite ED

Projected Utilization by Select Zip Codes in Applicant's Proposed Service Area, Year 1

Patient Zip Code	Patient City	Patient County	Patients Treated	Cumulative Patients Treated	% by Zip Code	Cumulative %
37801	Maryville	Blount	4054	4054	22.0%	22.0%
37802	Maryville	Blount	198	4252	1.2%	23.2%
37803	Maryville	Blount	3092	7344	16.8%	40.0
37737	Friendsville	Blount	1162	8506	6.3%	46.3%
37742	Greenback	Loudon & Blnt	1038	9544	5.6%	51.9%
37885	Vonore	Monroe	1382	10,926	7.5%	59.4%
Other Blount County			5387	16,313	29.2%	88.6%
Other Loudon County			322	16,635	1.7%	90.3%
Other Monroe County			1792	18427	9.7%	100.0%

NOTE: We did not predict volume by all zip codes. Could not locate population data by Cities – only county data.

14. Section C, Economic Feasibility, Item 4 (Historical Data Chart and Projected Data Chart)

It is noted in the Historical Data Chart the main ED in 2015 generated 54,461 ED visits in 2015 with Gross operating revenue of \$31,097,478. However, in the Projected Data Chart for the Free-Standing Ed the applicant projects 18,427 ED Visits in Year One while generating \$34,822,088 Gross Operating Revenue. Please explain how the new proposed project can exceed the main Blount Memorial Emergency Department in gross operating revenue while only providing 33% of the ED visits that was provided in 2015.

Response:

Please note in the application that the Historic Data chart **ONLY** reflects Gross Revenue from the ER Levels of care and does NOT include ancillary revenue. The ancillary revenues are recorded in the respective department in our historic data and we cannot distinguish revenue associated with the ER visits. However, we did attempt to determine ancillary revenue for the free-standing ER and included the figure in the Projected Data Chart.

There appears to be a calculation error in the Year 2015 column in the Historical Data Chart for Blount Memorial Emergency Department. Please revise and submit.

Response:

The error is duly noted and a corrected Historical Data Chart is provided in Attachment C-4.

March 18, 2016**3:34 pm**

It is noted the applicant does not have a management contract. Please remove the \$55,000 designated in Year One and Year Two for a Medical Director under Management Fees in the Projected Data Chart, and include it in Other Expenses and resubmit a Projected Data Chart.

Response:

Please note the Medical Director fees have been included in Other Expenses and a new Projected Data Chart is submitted in Attachment C-4.

Please provide the following:

*Historical Data Chart for Blount Memorial – Total Hospital

Response:

Please note that the hospital's historical information is provided in the audited report, but is now also included in the Historical Data Chart format.

*Projected Data Chart for Blount Memorial – Total Hospital

Response:

An attempt has been made to project the Hospital's Income Statement for and is included in Attachment C-4.

*Projected Data chart – Main ED and Satellite ED Combined

Response:

A Projected Data Chart is included for both the Main ED and the Satellite ED in Attachment C-4.

15. Section C, Economic Feasibility, Item 9

The participation of the proposed ED facility in state and federal programs is noted. However, please also provide the overall payor mix projected for both the main campus ED and proposed satellite Ed in Year 1 by completing the table below.

Response:

Please refer to the chart on the next page.

The remaining page is left intentionally blank

March 18, 2016**3:34 pm**

Payor Source	Applicant's' Historical and Projected Payor Mix					
	Main Ed	As a %	Main Ed	As a % of	Satellite	As a %
	Gross	of Gross	Gross	Gross	ED Gross	Gross
	Operating Revenue	Operating Revenue	Operating Revenue	Operating Revenue	Operating Revenue	Opert. Rev.
	2014	2014	Year 1	Year 1	Year 1	
Medicare	\$10,125,884	40%	\$37,099,529	44%	\$14,328,835	40%
TennCare	\$ 7,341,266	29%	\$23,608,791	28%	\$10,388,406	29%
Commercial	\$ 5,316,089	21%	\$16,020,251	19%	\$ 7,880,859	22%
Self-pay	\$ 2,531,471	10%	\$ 7,588,540	9%	\$ 3,223,988	9%
TOTAL	\$25,314,709	100%	\$84,317,112	100%	\$35,822,088	100%

16. Section C, Contribution to Orderly Development, Item 3.

Your response is noted. Please provide a comparison of the clinical staff salaries in the proposal to prevailing wage patterns in the service areas either through comparison of the applicant's facility with similar previously approved projects within the primary service area, through the Tennessee Department of Labor & Workforce Development publications, or other published sources.

Response:

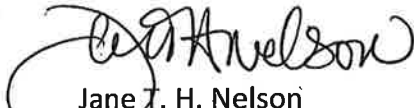
We are not able to compare our clinical staff salaries with other similar facilities as we cannot share this data. Further, there are no similar CON applications in our service area in which to make a comparison. We conduct our own salary studies utilizing Towers Watson Healthcare Package Surveys and Tennessee Hospital Association Compensation Survey to assure we offer competitive salaries. This is proprietary information that cannot be shared, but we do attempt to adjust salaries at the 50th percentile of the Towers Watson data as we perceive it to be more up to date information. However, our Human Resources department does review the Occupational Information Network which is a federal wage and salary site along with Tennessee Department of Labor & Workforce site. The Tennessee site often references the Federal site, and when we have reviewed the Knoxville MSA data we are at, or more often above the median rates reflected. Tennessee Department of Labor & Workforce data reaches across all industries and we find that data that reflects the healthcare industry, such as THA's data and Towers' data, is more relevant.

March 18, 2016**3:34 pm**

A notarized Affidavit is included at the end of the letter.

Once you have had an opportunity to review my responses, please do not hesitate to contact me should you have any questions.

Sincerely,



Jane T. H. Nelson
Assistant Administrator

Enc.

March 18, 2016

3:34 pm

AFFIDAVIT

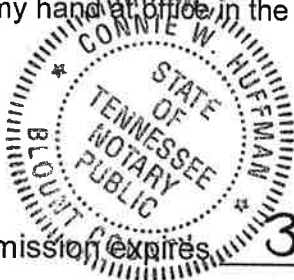
STATE OF TENNESSEE

COUNTY OF BlountNAME OF FACILITY: Blount Memorial Hospital, Incorporated

I, Jane T. H. Nelson, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Jane T. H. Nelson, Assistant Administrator
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 15th day of March, 20 16
witness my hand at office in the County of Blount, State of Tennessee.



Connie W. Huffman
NOTARY PUBLIC

My commission expires 3-25-19.

Attachments

- A-1 Corrected Applicant Profile
- A-4 Tennessee Secretary of State Document
- A-6 Letter from Goddard & Gamble
- A-9 Nursing Facility License
- B-III-A Plot Plan with Acreage
- C-4 Corrected Historical Data Chart
Adjusted Projected Data Chart
Total Hospital Historical Data Chart
Total Hospital Projected Data Chart -2018
Combined Emergency Department Projected Data Chart -2018
- C-6 Zip Code Map

Attachment A-6

Letter from Goddard & Gamble

134
GODDARD & GAMBLE ATTORNEYS
101 WEST BROADWAY
SUITE 208
MARYVILLE, TENNESSEE 37801

SUPPLEMENTAL #1

March 18, 2016

3:34 pm

M. H. GAMBLE, 1871 - 1934
HOMER A. GODDARD, 1891 - 1960
J. C. GAMBLE, 1904 - 1987
M. H. GAMBLE, JR., 1914 - 1990
ARTHUR B. GODDARD 1925 -

TELEPHONE (865) 982-6731
FACSIMILE (865) 982-6733
gandgatty@bellsouth.net

March 15, 2016

CARL P. McDONALD
ROBERT N. GODDARD

DIANE M. HICKS*
*Also Licensed in Florida

VIA EMAIL ONLY
Email: jnelson@bmnet.com

Ms. Jane Nelson
Blount Memorial Hospital
907 E. Lamar Alexander Parkway
Maryville, TN 37804

Dear Jane:

You have asked me why the full property address is not on the Warranty Deed from KFDR, LLC, to Blount Memorial Hospital, Incorporated. In Tennessee, it is not required that the property address be on the face of the deed. In Tennessee, the requirement is that a parcel number be contained on the deed, and it is required that an address where the Tax Notice is to be sent be on the deed. Often times, if the property is unimproved, there may be no specific property address until an address is either assigned by E-911 or by the Property Assessor at a later date.

I hope this explains the situation.

Very truly yours,

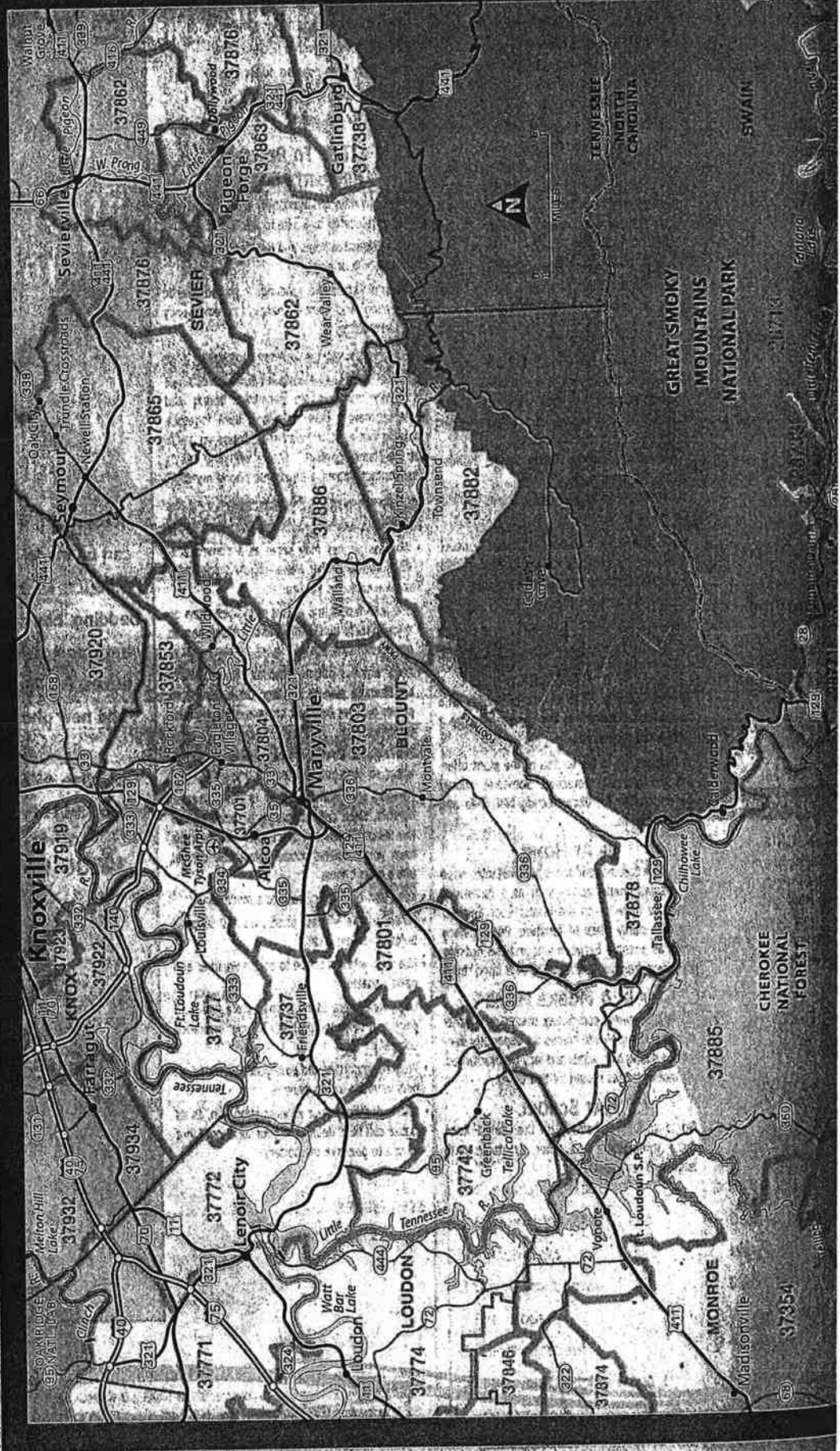


RNG/maz

Attachment C-6

Zip Code Map

area zip code map



Supplemental #2 -Copy-

Blount Memorial Hospital

CN1603-011



Blount Memorial
Hospital

907 East Lamar Alexander Parkway
Maryville, Tennessee 37804
865-983-7211

138

SUPPLEMENTAL #2

March 28, 2016

11:24 am *Robert Redwine*
President of the Board

David Pesterfield
Vice President of the Board

Don Heinenmann
Chief Executive Officer

Medical Staff

Dr. Teresa Catron
Chief of Staff

Dr. John Niethammer
Vice Chief of Staff

March 23, 2017

Phillip Earhart
HSD Examiner
Tennessee Health Services Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application CN 1603-011
Supplemental questions – Blount Memorial Hospital, Inc., (Free Standing ED)

Dear Mr. Earhart:

1. Section B, Project Description, Item I.

What is the distance from the proposed ED site to Fort Loudon Medical Center and Sweetwater Hospital Association?

Response:

The distance from the proposed ED site to Fort Loudon Medical Center in Lenoir City is 22 miles; the distance from the proposed ED site to Sweetwater Hospital Association is 44 miles. The source for this information is MapQuest.

According to Blount Memorial Hospital's 2014 Joint Annual Report, the applicant does not have open heart surgery capabilities. Please indicate where the hospital patients are referred for open heart surgeries.

Response:

Though I don't have exact numbers, according to our Cardiologists who more often refer patients for open heart service, there are several factors that weigh into the decision. It depends on the patient's choice, the availability of a surgeon/surgical suite of the receiving hospital and the patient's condition. The hospitals utilized for open heart by our referring physicians most often include University Medical Center, Ft. Sanders Regional Medical Center, Parkwest Medical Center, and less frequently, Tennova's Physicians Regional Medical Center.

For children and/or adolescents ages 0-17 who present in the ED with psychiatric symptoms, where are they referred for inpatient psychiatric services?

Response:

Depending on their age, we refer children and adolescents to the following programs in Tennessee:

The top three referred to are:

Peninsula's Youth Village – Louisville
 ParkRidge Valley Children & Adolescent Center – Chattanooga
 Rolling Hills Hospital - Franklin
Others include:
 Vanderbilt Behavioral Health Hospital – Nashville
 TriStar Skyline Hospital – Madison
 Woodridge – Johnson City
 Lakeside – Memphis
 St. Francis Hospital - Memphis

Please clarify if the applicant provides specialized emergency care for burns. If not where are patients referred?

Response:

We do not provide specialized emergency care for burns. We stabilize and refer primarily to Vanderbilt Medical Center. The only other options are out of State and we keep the information for referrals if needed. These include:

North Carolina:

Jaycee Burn Center/UNC Hospitals – Chapel Hill, NC
 Wake Forest University/Baptist Medical Center Burn Center – Winston-Salem, NC

Kentucky:

University of Kentucky Hospital – Lexington, KY
 University of Louisville Hospital – Louisville, KY
 Kosair Children's Hospital Burn Center – Louisville, KY

The table by indicating the number of treatment rooms, stations, and square footage for the existing hospital Emergency Department (ED) and proposed satellite ED is noted. However, the total number of exam/treatment rooms appears to be incorrect. Please clarify if some exam/treatment rooms are used for dual purposes.

Response:

The total number of exam/treatment rooms in the table for the main ED and the proposed free standing ED area are correct. We don't count the triage areas as exam/treatment rooms. Under the column market 'combined' – there is a typographical error for multi-purpose that indicates '30' total when in fact it should indicate 20.

2. Section B, Project Description, Item III.A and III.B.1

The table that shows distance to existing Hospital EDs for the applicant's primary service area zip codes is noted. However, please provide a source (i.e.-MapQuest, Google, etc.) for the table.

Response:

MapQuest.

3. Section C, Need, Item 1 (Project Specific Criteria) Construction, Renovation, Item 3.a and Item 3.b

March 28, 2016**11:24 am**

The applicant cites a standard of 1,500 visits per treatment room per year from the American College of Emergency Physicians. However, the standard could not be found in the publication. Please cite the page number the 1,500 visits per treatment room standard is found in the 2002 Edition of the American College of Emergency Physicians.

Response:

It's on Page 71 of the ACEP Guide. While this is a guide, we do utilize the *Guidelines for Design and Construction of Hospital's and Outpatient Facilities, 2014 Edition* by The Facilities Guideline Institution for determining space allocation as required by Tennessee Department of Health.

The following chart outlining the American College of Emergency Medicine (ACEP) latest Guidelines for high and low estimates for emergency department areas and beds for the proposed satellite emergency department and existing main emergency department for Year One of the project is noted. However, please address the following:

- Please discuss the existing demand for the proposed project (18,427 visits) by using the guidelines found in the following chart.

Response:

Demand is based on use rate and population data. The American College of Emergency Physicians represents a guide, but when designing the free-standing Emergency Department, Tennessee Department of Health requires that architects utilize *Guidelines for Design and Construction of Hospital's and Outpatient Facilities, 2014 Edition* by The Facilities Guideline Institution. In addition, the proposed free standing facility has some shelled space for future considerations, so that the visits per bed per square foot are lower in the proposed site.

- Please explain the reason the square footage of the proposed satellite ED is larger than that of the main ED.

Response:

The proposed free standing ED space allocation was developed with the requirements of the *Guidelines for Design and Construction of Hospital's and Outpatient Facilities*, which is the required space allocation guide by the Tennessee Department of Health. In addition, we have added shelled space for future considerations.

When the Emergency Department for our main campus was designed in the late '70's, the building requirements were different and the volume of ED visits were much lower. The cost of attempting to expand the existing space is prohibitive and would take away from other valuable space that is utilized for the Department of Radiology. The new proposed free-standing ED space will meet help alleviate the volume in the main ED and allow for future needs.

From the chart below, it appears the applicant's main ED (projected annual visits between 40,000-50,000 visits) projected visits for Year One is below the following current emergency department design guidelines: 1) the current square footage of 16,042 SF is below the low range department gross area square feet (dgsf) guideline that is between 21,875 and 28,875 dgsf, 2) the 1,675 visits per bed exceeds the visits per bed

March 28, 2016**11:24 am**

range guideline by approximately 36%, and 3) the current bed area of 594 dsf is 43% below the 850 dsf minimum guideline per bed. With this in mind, please discuss how the applicant plans to minimally meet guidelines for the main emergency department using current ACEP guidelines as listed in the following chart.

Response:

Unless the volume of visits were to decrease significantly at the main ED, which is not expected, the main campus ED will continue to be below the ACEP guidelines as we are not in a position to expand the existing ED. However, the proposed free-standing ED will help off-load the volume and help address this space problem.

Emergency Department Design: A Practical Guide to Planning, 2002, American College of Emergency Physicians-High and Low Estimates for dept. areas and beds							
Projected Annual Visits	Dept. Gross Area		Bed Quantities				
	Low Range dsf	High Range dsf	Low Range Bed Qty.	Low Range Visits/Bed	High Range Bed Qty.	High Range Visits/Bed	Estimated Area /Bed
10,000	7,200	9,900	8	1,250	11	909	900 dsf/bed
20,000	13,500	17,100	15	1,333	19	1,053	900 dsf/bed
30,000	17,500	22,750	20	1,500	26	1,154	875 dsf/bed
40,000	21,875	28,875	25	1,600	33	1,212	875dsf/bed
50,000	25,500	34,000	30	1,667	40	1,250	850 dsf/bed
60,000	29,750	39,950	35	1,714	47	1,277	850 dsf/bed
70,000	30,000	44,550	40	1,750	54	1,296	825 dsf/bed
Applicant-Blount Memorial Hospital Satellite ED							
Projected Visits Yr. 1	Total Square Footage		Beds		Visits Per Bed		Estimated Area /Bed
18,427	17,250		14		1,316		1,232 dsf
Applicant-Blount Memorial Hospital Main ED							
Projected Visits Yr. 1	Total Square Footage		Beds		Visits Per Bed		Estimated Area /Bed
45,227	16,042		27		1,675		594 dsf

Source: Emergency Department Design: A Practical Guide to Planning, 2002, American College of Emergency Physicians, Page 71, Figure 6.5.

4. Section C, Need, Item 2

Your response to this item is noted. What other or additional services does the applicant plan to locate on the 411 property?

Response:

We have not finalized any specific plans, but it is anticipated that we will place some primary care practices at the site.

March 28, 2016**11:24 am****5. Section C, Need, Item 5**

The historical ED visit volumes for each of the past three years for each hospital in Loudon and Monroe Counties are noted. However, please provide a source for the data.

Response:

THA Market IQ data.

The table for ED patient origin by zip code for CY 2015 for zip codes with patient origin over 0.15% is noted. However, please clarify how the % by Zip code was calculated. What was the total number of 2015 patients treated that was used to calculate percentages?

Response:

The percent represents patient origin data, so the volume by each area was divided by the total ER visits. The total utilized to calculate the percentages was calendar year ER visits totaling 57,765.

6. Section C, Economic Feasibility, Item 4 (Historical Data Chart and Projected Data Chart)

The Main ER and Free-Standing ER combined projected Data Chart is noted. However, the chart is incorrectly formatted by letter and number. Please revise and submit a replacement Projected Data Chart.

Response:

The corrected Projected Data Chart is provided in an Attachment to this letter marked "Corrected Projected Data Chart for the Combined Main ED and Free-Standing ED".

Please complete the following charts for Other Expenses for the Main ED:

Response:

I am not able to provide the level of detail you are requesting at this point in time for the Historical Data chart other expenses for both the hospital total and the Emergency Department other than to indicate that it included purchased maintenance, office supplies, linen, travel, cell phone expense and the medical director fee.

**Free-Standing Emergency Department
PROJECTED DATA CHART-OTHER EXPENSES**

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 1</u>	<u>Year 2</u>
1. Radiology/PACS/RIS License/storage	\$ 22,000	\$ 22,000
2. Lab supply/reagents	\$ 15,633	\$ 16,761
3. Lab rental	\$ 135,120	\$ 135,120

March 28, 2016**11:24 am**

4. IS support	\$ 28,363	\$ 28,363
5. Pharmacy/contrast	\$1,031,912	\$1,147,108
6. Medical Director	\$ 55,000	\$ 55,000
Contingency	\$ 73,708	\$ 76,576
Total Other Expenses	\$1,361,766	\$1,480,928

Projected Data Chart – Other Expenses – Total Hospital

Response:

As indicated, this line item contains many of the items indicated above and were projected based on totals and cannot be itemized.

Projected Data Chart for Combined ER and Main ER – Other Expenses

Response:

The Free Standing ED Other expenses are outlined above, the main ED consists of the items indicated above. Expenses related to services provided by other departments reside in those respective departments and cannot be distinguished for the main campus ED.

8. Section C, Need, Item 6.

The Projected Utilization by Zip code chart in the Applicant's Proposed Service Area, Year 1 is noted. It is also noted the applicant could not predict volume by all zip codes. However, please provide what Zip codes are assigned to the following categories in the chart: 1) Other Blount County, 2) Other Loudon County, and 3) Other Monroe County.

Response:

Other Blount: Lousiville – 37777; Rockford – 37853; Alcoa- 37701; Walland – 37886; Townsend – 37882; Tallassee – 37878 (included in Blount & Monroe county).

Other Loudon: Lenoir City – 37771 & 37772; Loudon – 37774; Philadelphia- 37846.

Other Monroe: Sweetwater – 37874; Madisonville – 37354; Mount Vernon – 37358; Tellico Plains – 37385; Coker Creek - 37314

Please don't hesitate to contact me should you have any questions regarding my responses.

Sincerely,



Jane T. H. Nelson
Assistant Administrator

March 28, 2016

11:24 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF BlountNAME OF FACILITY: Blount Memorial Hospital, Inc.

I, Jane T. H. Nelson, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Jane T. H. Nelson, Assistant Administrator
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 25th day of March, 2016
witness my hand at office in the County of Blount, State of Tennessee.



Connie W. Huffman
NOTARY PUBLIC

My commission expires March 25, 2019

Supplemental #3 -COPY-

**Blount Memorial Hospital,
Inc.**

CN1603-011



Blount Memorial Hospital

907 East Lamar Alexander Parkway
Maryville, Tennessee 37804
865-983-7211

146

March 29, 2016

Phillip Earhart
HSD Examiner
Tennessee Health Services Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application CN 1603-011
Blount Memorial Hospital, Inc. (Freestanding Emergency Department)

Dear Mr. Earhart:

Per your request, listed below are the responses to your supplemental questions, along with the completed affidavit.

1. Section C, Project Description, Item II.A and II. D

The applicant indicates in Supplemental #1 there was a typographical error in the following table. Please revise.

Response:

Note the corrected table below.

Patient Care Areas other than Ancillary Services	Hospital ED	Satellite ED	Combined ED's
Total/Exam/Treatment Rooms	27	14	41
Multipurpose	11	9	20
Holding/Secure/Psychiatric	4	2	6
Isolation	2	1	3
Trauma	10	2	12
Triage stations	3	1	4
Decontamination Rooms/Stations	*	1 room	
GSF of Main and Satellite ED's	16,042	17,250	33,292

- We have a decontamination station located outside of the Ed at our main campus that can serve multiple patients.

Robert Redwine
President of the Board

David Pesterfield
Vice President of the Board

Don Heinemann
Chief Executive Officer

Medical Staff

Dr. Teresa Catron
Chief of Staff

Dr. John Niethammer
Vice Chief of Staff

March 30, 2016**11:37 am**

2. Section C, Economic Feasibility, Item 4 (Historical Data Chart and Projected Data Chart)

The revised Main ER and Free-Standing ER combined projected Data Chart is noted. However, the chart is not numerically formatted correctly. Please revise and submit a replacement Projected Data Chart.

Response:

Please note the attached Projected Data chart for the Combined ER and Free Standing ER that is numerically formatted correctly.

There is a calculation error in Year One of the following table. Please complete the following table for Other Expense:

Response:

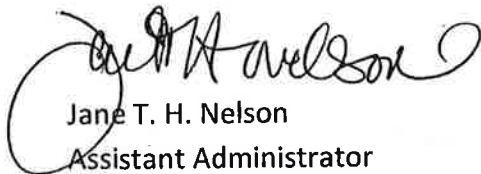
Please note the corrected chart below in Year 1 with the correct total figure.

**Free-Standing Emergency Department
PROJECTED DATA CHART-OTHER EXPENSES**

OTHER EXPENSES CATEGORIES	Year 1	Year 2
1. Radiology/PACS/RIS License/storage	\$ 22,000	\$ 22,000
2. Lab supply/reagents	\$ 15,633	\$ 16,761
3. Lab rental	\$ 135,120	\$ 135,120
4. IS Support	\$ 28,363	\$ 28,363
5. Pharmacy/contrast	\$ 1,031,912	\$ 1,147,108
6. Medical Director	\$ 55,000	\$ 55,000
7. Contingency	\$ 73,708	\$ 76,576
Total Other Expenses	\$ 1,361,736	\$ 1,480,928

Please let me know if you have any questions regarding these responses.

Sincerely,



Jane T. H. Nelson
Assistant Administrator

Enc.

March 30, 2016**11:37 am****AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF BlountNAME OF FACILITY: Blount Memorial Hospital, Inc.

I, Jane T. H. Nelson, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



Jane T. H. Nelson, Assistant Administrator
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30 day of March, 2016,
witness my hand at office in the County of Blount, State of Tennessee.

Stacy Hawkins
NOTARY PUBLIC

My commission expires August 29, 2018.

**Additional Info
Supplemental #3
-COPY-**

Blount Memorial Hospital

CN1603-011

**Blount Memorial
Hospital**

907 East Lamar Alexander Parkway
Maryville, Tennessee 37804
865-983-7211

March 30, 2016

Phillip Earhart
HSD Examiner
Tennessee Health Services Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: Certificate of Need Application CN1603-011 – Corrected Charts

Dear Mr. Earhart:

Enclosed please find three corrected Projected Data Charts for the following:

- (1) The Free-Standing ED Projected Data Chart;
- (2) The Combined Main ED and Free Standing Projected Data Chart; and
- (3) The Total Hospital with the Free Standing Projected Data Chart.

The \$30 error in 'other expenses' in Year 1 from the Free-standing Projected Data Chart affected these charts.

Please don't hesitate to contact me should you have any questions at 865-981-2310.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jane T. H. Nelson".

Jane T. H. Nelson
Assistant Administrator

Enc.

Robert Redwine
President of the Board

David Pesterfield
Vice President of the Board

Don Heinemann
Chief Executive Officer

Medical Staff

Dr. Teresa Catron
Chief of Staff

Dr. John Niethammer
Vice Chief of Staff

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF BlountNAME OF FACILITY: Blount Memorial Hospital, Inc.

I, Jane T.H. Nelson, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



Jane T.H. Nelson, Assistant Administrator
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30 day of March, 2016,
witness my hand at office in the County of Blount, State of Tennessee.

Stacy Hawkins
NOTARY PUBLIC

My commission expires August 29, 2018.

HF-0043

Revised 7/02



**Blount Memorial
Hospital**

907 East Lamar Alexander Parkway
Maryville, Tennessee 37804
865-983-7211

Robert Redwine
President of the Board

Dr. Ted Flickinger
Vice President of the Board

Don Heinemann
Chief Executive Officer

Medical Staff

Dr. Teresa Catron
Chief of Staff

Dr. John Niethammer
Vice Chief of Staff

March 3, 2016

Melanie M. Hill
Executive Director
TN Health Services & Development Agency
502 Deaderick Street
Andrew Jackson Building – 9th Floor
Nashville, TN 37243

Dear Ms. Hill:

Enclosed please find a Letter of Intent on behalf of Blount Memorial Hospital, Maryville, TN 37804. The Publication of Intent is being published simultaneously in the Legal Notices section of the Daily Times and a copy of the publication will be provided with the application. The Hospital is proposing to establish a free standing Emergency Department that would operate under the Hospital's license and serve as an extension of the existing main campus Emergency Room.

The Certificate of Need Application will be forthcoming early next week, and within 5 days of submitting this Letter of Intent.

Sincerely,

Jane T. H. Nelson
Assistant Administrator

Enc.


LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Daily Times which is a newspaper of general circulation in Blount County, Tennessee, on or before March 4, 2016 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that: Blount Memorial Hospital, Incorporated, a hospital facility, owned by: Blount Memorial Hospital, Incorporated, a not-for-profit corporation and governmental entity located at 907 E. Lamar Alexander Parkway, Maryville, Tennessee, and to be managed by: Blount Memorial Hospital, Incorporated intends to file an application for a Certificate of Need for the construction and establishment of a free standing Emergency Department at its existing property located at 2410 Highway 411 South, Maryville, TN 37801. The proposed free standing Emergency Department will operate as an extension of the existing hospital emergency department and will be operated under the hospital license of Blount Memorial Hospital. The proposed facility will consist of 17,250 gross square feet of new construction and will include fourteen emergency treatment rooms, including diagnostic capabilities, patient registration and wait areas, and staff support areas. The project does not involve additional inpatient beds, major medical equipment, or initiation of services for which a certificate of need is required. The total cost of the project including construction, site development, architect & engineering fees, contingencies, and equipment is estimated to be \$7,887,351.

The anticipated date of filing the application is March 8, 2016

The contact person for this project is Jane Nelson, Assistant Administrator who may be reached at : Blount Memorial Hospital, 907 E. Lamar Alexander Parkway, Maryville, Tennessee, 37804, (865) 981-2310


(Signature)

February 25, 2016
(Date)

Jnelson@bmnet.com
(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. 68-11-1607c(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954**

DATE: April 30, 2016

APPLICANT: Blount Memorial Hospital, Inc.
2410 Highway 411 South
Maryville, Tennessee 37804

CONTACT PERSON: Jane Nelson
907 East Lamar Alexander Parkway
Maryville, Tennessee 37804

COST: \$7,887,351

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Blount Memorial Hospital, Inc., located at 907 East Lamar Alexander Parkway, Maryville, Tennessee 37804, seeks Certificate of Need (CON) approval to establish a free-standing Emergency Department on existing hospital property located at 2410 US Highway 411 South, Maryville, Tennessee 37801. The proposed free-standing emergency department will be owned and operated as an extension of the existing Emergency Department at the hospital's main campus.

The proposed facility will include 14 treatment rooms, support areas, wait areas, decontamination area, diagnostic rooms, space to observe patients, and shelved space for future use. The treatment rooms will be generally designated as 2 trauma rooms, 2 seclusion rooms, 1 isolation room, and 9 general treatment rooms.

The free-standing emergency department will have diagnostic capabilities including CT, ultrasound, x-ray, and lab services. An area will be designated as a patient observation area that will include recliners and have monitoring capability.

The proposed facility consists of 17,250 square feet of new construction at a cost of \$4,312,500, or \$250 per square foot.

Blount Memorial Hospital, Inc. is a not-for-profit corporation and owned by itself.

The total project cost is \$7,887,351 and will be funded through cash reserves as evidenced by a letter from Blount Memorial Hospital's Chief Financial Officer.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:

The applicant's service area is Blount, Loudon, and Monroe counties. The 2016 and 2020 population projections for the applicant's service area are listed in the following table.

County	2016 Population	2020 Population	% of Increase/ (Decrease)
Blount	133,236	139,725	4.9%
Loudon	54,261	57,923	6.7%
Monroe	47,980	50,062	4.3%
Total	235,477	247,710	5.2%

Tennessee Population Projections 2000-2020, 2015 Revised UTCBER, Tennessee Department of Health

The following Zip Codes are located in the service area counties and were used in analysis of the Hospital Discharge Data for patient destination, payor source, and patient mix by zip code and CPT code. The individual tables are provided in Attachment One.

Zip Code	Community	County
37737	Friendsville	Blount
37701	Alcoa	Blount
37777	Louisville	Blount
37801	Maryville	Blount
37802	Maryville	Blount
37803	Maryville	Blount
37804	Maryville	Blount
37853	Rockford	Blount
37878	Tallassee	Blount
37882	Townsend	Blount
37886	Walland	Blount
37742	Greenback	Loudon
37771	Lenoir City	Loudon
37772	Lenoir City	Loudon
37774	Loudon	Loudon
37846	Philadelphia	Loudon
37314	Cokercreek	Monroe
37354	Madisonville	Monroe
37385	Tellico Plains	Monroe
37874	Sweetwater	Monroe
37885	Vonore	Monroe

The applicant, Blount Memorial Hospital, Inc., located at 907 East Lamar Alexander Parkway, Maryville, Tennessee 37804, seeks Certificate of Need (CON) approval to establish a free-standing Emergency Department on existing hospital property located at 2410 US Highway 411 South, Maryville, Tennessee 37801. The proposed free-standing emergency department will be owned and operated as an extension of the existing Emergency Department at the hospital's main campus.

The Free-Standing Emergency Department will be located 2.2 miles from the main hospital facility.

The proposed facility will include 14 treatment rooms, support areas, wait areas, decontamination area, diagnostic rooms, space to observe patients, and shelled space for future use. The treatment rooms will be generally designated as 2 trauma rooms, 2 seclusion rooms, 1 isolation room, and 9 general treatment rooms.

The free-standing emergency department will have diagnostic capabilities including CT, ultrasound, x-ray, and lab services. An area will be designated as a patient observation area that will include recliners and have monitoring capability.

The applicant reports the need for the freestanding emergency department is established from several points. According to the applicant, Blount Memorial Hospital had 60,000 + patients in this Fiscal year (July 1-June 30) which represents a 9.1% increase from the prior Fiscal year and a 17.2% increase since 2014. This represents 2,222 visits per room per year. The growth in emergency room visits has spawned a concentrated effort with a new Emergency Physician group to streamline their emergency room process to maximize patient visits and reduce patient wait time. The applicant now finds themselves in the position where they must expand the availability of ER beds to meet demand. Based on the standard of 1,500 visits per treatment room per year from the American College of Emergency Physicians, the applicant's current volume alone is sufficient to support 40 emergency treatment rooms. Currently, the applicant has 27 ER beds, two of which are isolation beds, and four are seclusion beds. As a result, the applicant reports they consistently have overflow beds in the hallways. The maximum reasonable level of visits should be approximately 40,500 visits.

The 27 beds on the main campus in 2013 had a door to doctor time of 102 minutes with a median length of stay time of 295 minutes for patients who were discharged, and 360 minutes for patients who were admitted. In January 2016 the average door to doctor time is 21 minutes with a median length of stay of 148 minutes for patients who were discharged, and 239 minutes for patients who were admitted. Despite having improved patient flow, the applicant states the increased volume demands the need to expand their ER bed capacity.

According to the applicant, in Blount County and surrounding counties, emergency room visits have increased from 4.5% to 9% from 2009 to 2016. Due to the aging of the population as well as growth in population, ER visits are likely to continue to grow.

Service Area ER Utilization 2012-2014

	2012 Presented	2012 Treated	2013 Presented	2013 Treated	2014 Presented	2014 Treated
Blount Memorial Hospital	55,078	54,882	55,539	53,286	51,194	49,345
Ft. Loudon Medical Center	21,967	20,916	20,340	19,611	20,215	19,550
Sweetwater Hospital Association	23,082	20,485	23,670	21,944	24,363	21,766

Joint Annual Reports of Hospitals, 2012, 2013, 2014, Tennessee Department of Health, Division of Policy, Planning, and Assessment

Ft. Loudon Medical Center in Lenoir City is 22 miles from the freestanding emergency department
Sweetwater Hospital Association is 44 miles from the free-standing emergency department.

Blount Memorial Hospital reports they have 67.8% of "market Share" of the service area per Tennessee Hospital Association Data for the last 12 months.

2014 Emergency Room Utilization

Facility	ER Room Visits	2014 Treatment Rooms	Average Per Room
Blount Memorial Hospital	51,194	27	1,896

Joint Annual Reports of Hospitals, 2012, 2013, 2014, Tennessee Department of Health, Division of Policy, Planning, and Assessment.

Attachment One contains Patient Destination by Zip Code by Hospital for the service area. The 21 service area Zip Codes data shows 37,246 visits to Blount Memorial Hospital ER.

2014 Service Area Acute Care Hospital Licensed and Staffed Bed Occupancy

Facility	Licensed Beds	Staffed Beds	Licensed Occupancy	Staffed Occupancy
Blount Memorial Hospital	304	238	48.1%	61.5%

Source: *Joint Annual Report of Hospitals 2014*, Division of Health Statistics, Tennessee Department of Health

Align MD will provide the emergency physician coverage for the new free-standing ER. Align MD provides emergency physician coverage for 28 emergency departments in 7 states, ranging from level one trauma centers to more rural settings.

Currently there are no plans to station an ambulance 24/7/365 at the hospital. The applicant's Emergency Department serves as medical control for the service area and the emergency transport system (Rural Metro). Additionally, there are no plans to build a helipad on the free-standing ground.

Due to a limited amount of space at the main campus, the applicant contends they cannot expand the existing ER without incurring serious disruption of the hospital ER and adjacent hospital areas such as radiology. The disruption in service would be for at least two years and would be much more expensive than the construction of a free-standing ER Department.

The following table illustrates the current and proposed Emergency Department/Satellite Blount Memorial Hospital facilities.

Patient Care Areas	Hospital ED	Satellite ED	Combined EDs
Total Exam/Treatment Rooms	27	14	41
Multipurpose	11	9	20
Holding/Secure/Psychiatric	4	2	6
Isolation	2	1	3
Trauma	10	2	12
Triage stations	2	1	4
Decontamination room	*	1	1
GSF of Main and Satellite Ed's	16,042	17,250	33,292

The Blount Memorial Hospital Free-Standing Emergency Department projects 18,427 and 19,144 visits in years one and two of the project. The combined Main Emergency Department and Free-Standing Emergency Department projects 61,800 and 62,542 emergency room visits in years one and two of the project.

TENNCARE/MEDICARE ACCESS:

Blount Memorial Hospital participates in the Medicare and TennCare/Medicaid programs. The applicant contracts with TennCare MCO's Blue Cross BlueCare, Cover TN, TennCare Select, United Health Care's Community Plan, and Amerigroup.

The applicant projects Year One Main ED Medicare gross operating revenues of \$37,099,529 or 44% of total gross revenues and Satellite ED Medicare gross revenues of \$14,328,835 or 40% of total gross revenues.

The applicant projects Year One Main ED TennCare/Medicaid revenues of \$23,608,791 or 28% of total gross revenues and Satellite ED Medicaid revenues of \$10,388,406 or 29% of total gross revenues.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located on page 22 of the application. The total estimated project cost is \$7,887,351.

Historical Data Chart: The Historical Data Chart is located in Supplemental 1. The applicant reports 55,539, 51,194, and 54,502 ER visits in 2013, 2014, and 2015 with net operating revenues of (\$7,740,039), \$5,154,101, and \$6,016.

Projected Data Chart: The applicant projects 18,427 and 19,144 ER visits to the Free-Standing Emergency Department in years one and two, with net operating revenues of \$1,834,159 and \$1,902,004, respectively.

Projected Data Chart: The applicant projects 18,427 and 19,144 ER visits at the Satellite ED combined in years one and two, with net operating revenues of \$1,834,159 and \$1,902,004 each year, respectively.

Projected Data Chart: The applicant projects 61,800 and 62,542 ER visits to the total hospital in years one and two, with net operating revenues of \$7,986,880 and \$2,972,802 each year, respectively.

Blount Memorial Hospital ER Charges

	Year One	Year Two
Visits	61,800	62,542
Average Gross Charge	\$1,944	\$2,003
Average Deduction	\$1,574	\$1,632
Average Net Charge	\$369	\$371

Blount Memorial Hospital's current and proposed year one and two ED charges are listed below.

Current ED Charge	Year One	Year Two
\$1,852	\$1,944	\$2,003

The applicant reports they were unable to find a less costly alternative to the proposed project. Blount Memorial Hospital explored expanding their Emergency Department on campus that would involve renovation and remodeling of existing space and addition new construction of 14,428 square feet. This alternative would negatively impact the adjacent area of Radiology in terms of space and the need to add additional imaging equipment to accommodate the increased volume.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

Blount Memorial Hospital provides all existing health care providers with which they currently contract or have agreements with on pages 32 and 33 of the application.

The applicant believes their project will not have an adverse impact on the healthcare system or other providers. This project is designed to off-load volume from the main campus Emergency Department and offer a convenient service to the population they currently serve.

The following includes the current Main ED and proposed Freestanding ED staffing.

Position	Main Campus ED FTEs	Free-Standing ED FTEs
RN	30.9	10.45
RN Team Leader	3.7	0
Monitor Tech	5.1	4.2

CNA/EMT	15.25	4.2
Supervisor	2.6	4.2
Case Manager	2.4	1.0
Director	1.0	Same Person
Trauma Coordinator	3.9	0
CT Tech*		4.0
Ultrasound Tech*		4.0
Radiation Tech*		4.0
MT*		3.6
Lead Tech*		1.0
MLT*		.5
Total	64.85	41.15

*These positions are recorded on the rosters of their respective departments.

The applicant does not have a medical residency program but Lincoln Memorial University has medical students who rotate with various medical staff at their respective practices. Additionally, University of Tennessee medical students rotate through the hospital's psychiatric unit as part of their rotation.

Blount Memorial Hospital is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities and accredited by the joint Commission.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

Not applicable.

2. For relocation or replacement of an existing licensed health care institution:

- a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

Not applicable.

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

Not applicable.

3. For renovation or expansions of an existing licensed health care institution:

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

The applicant reports the need for the freestanding emergency department is established from several points. According to the applicant, Blount Memorial Hospital had 60,000 + patients in this Fiscal year (July 1-June 30) which represents a 9.1% increase from the prior Fiscal year and a 17.2% increase since 2014. This represents 2,222 visits per room per year. The growth in emergency room visits has spawned a concentrated effort with a new Emergency Physician group to streamline their emergency room process to maximize patient visits and reduce patient wait time. The applicant now finds themselves in the position where they must expand the availability of ER beds to meet demand. Based on the standard of 1,500 visits per treatment room per year from the American College of Emergency Physicians, the applicant's current volume alone is sufficient to support 40 emergency treatment rooms. Currently, the applicant has 27 ER beds, two of which are isolation beds, and four are seclusion beds. As a result, the applicant reports they consistently have overflow beds in the hallways. The maximum reasonable level of visits should be approximately 40, 500 visits.

The 27 beds on the main campus in 2013 had a door to doctor time of 102 minutes with a median length of stay time of 295 minutes for patients who were discharged, and 360 minutes for patients who were admitted. In January 2016 the average door to doctor time is 21 minutes with a median length of stay of 148 minutes for patients who were discharged, and 239 minutes for patients who were admitted. Despite having improved patient flow, the applicant states the increased volume demands the need to expand their ER bed capacity.

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

Not applicable.

Attachment One

Utilization by Zip Codes and CPT Codes, Patient Mix by Zip Codes and CPT Codes, and Patient Destination by Zip Codes

Hospital	Resident Zip Code(s)										Hospital Total											
	37354	37385	37701	37737	37742	37771	37772	37774	37777	37802	37803	37804	37853	37874	37878	37882	37885	37886	37846	37314	Total	All Zips
Blount Memorial Hospital	1,106	429	2,484	1,340	1,205	91	95	104	2,133	9,505	433	6,933	1,042	137	214	732	671	1,333	0	37,246	0	41,327
East Tennessee Children's Hospital	465	167	439	209	208	650	275	363	690	1,489	0	1,050	231	291	291	62	148	176	127	8,250	0	59,713
Fort Loudoun Medical Center	358	60	0	193	279	5,805	2,049	4,607	0	141	0	0	0	0	698	0	257	0	865	0	17,603	
Fort Sanders Regional Medical Center	0	0	1,11	54	0	89	53	80	207	274	0	168	238	106	0	274	0	0	0	1,380	0	40,429
Methodist Medical Center of Oak Ridge	0	0	0	0	0	67	0	0	0	0	0	0	0	0	0	0	0	0	0	67	0	35,138
Parkwest Medical Center	255	98	105	92	84	962	665	964	320	311	0	276	250	59	351	0	98	0	192	0	5,082	37,296
Roane Medical Center	0	0	0	0	0	76	0	0	0	0	0	0	0	0	0	0	0	0	0	166	20,729	0
Skyridge Medical Center	0	63	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	63	42,413
Starr Regional Medical Center	1,220	716	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	137	0	3,360	35,127
Starr Regional Medical Center Etowah	851	938	0	0	0	0	0	0	0	0	0	0	0	1,189	0	0	98	0	0	0	1,920	11,427
Sweetwater Hospital Association	4,554	1,887	0	0	0	101	0	507	0	73	0	0	0	131	0	0	0	0	0	0	0	20,273
Tennova Healthcare	0	0	0	0	0	0	0	0	87	102	0	60	75	0	0	0	598	0	1,154	0	16,445	20,273
Turkey Creek Medical Center	67	0	62	0	0	784	476	492	189	173	0	135	166	0	0	0	0	0	0	0	324	35,232
University of Tennessee Memorial Hospital	213	91	287	135	162	152	76	126	718	810	53	525	736	120	0	60	58	115	124	0	2,808	18,036
Other Hospitals*	223	134	98	113	171	161	154	211	139	257	107	209	224	254	210	55	91	121	153	0	4,691	33,525
Total	9,312	4,583	3,586	2,136	2,109	8,938	3,843	7,454	4,483	13,135	593	9,356	10,158	1,797	10,838	269	945	1,777	2,860	26	100,247	448,268

NOTE: Hospital Discharge statistics should not be compared to Joint Annual Report statistics. Both systems are independent of each other with different reporting requirements.

Source: Tennessee Department of Health, Division of Policy, Planning and Assessment.

Patient Mix by Zip Code Service Area, by Select CPT Codes, 2014

CPT Code	Resident Zip Code(s)																					Total
	37314	37354	37385	37701	37737	37742	37771	37772	37774	37777	37801	37802	37803	37804	37846	37853	37874	37878	37882	37885	37886	
99281	1	427	186	106	51	73	410	129	305	153	422	18	251	304	142	41	614	7	24	87	54	
99282	4	2,039	888	1,014	567	549	2,293	848	1,734	1,147	3,688	158	2,407	2,743	676	515	2,447	79	219	487	485	
99283	9	3,688	1,796	1,515	888	899	4,279	1,775	3,379	1,907	5,380	228	3,942	4,234	1,198	744	4,138	107	386	859	697	
99284	7	2,392	1,263	769	499	453	1,498	818	1,488	1,009	2,976	160	2,195	2,332	643	413	2,623	59	248	466	445	
99285	4	729	396	163	112	117	358	217	427	237	588	25	494	465	178	74	956	14	62	132	87	
Total	25	9,275	4,529	3,567	2,117	2,091	8,838	3,787	7,333	4,453	13,054	589	9,289	10,078	2,837	1,787	10,778	266	939	2,031	1,768	
																					99,431	

Note: The Hospital Discharge Data System has 23 data fields available to enter CPT codes for a patient encounter. In 2014, the percentage of records with just one of the selected CPT codes per patient encounter equaled 98.3%. The remaining 1.7% having two or more CPT codes per patient encounter line were excluded from this table.

NOTE: Hospital Discharge statistics should not be compared to Joint Annual Report statistics. Both systems are independent of each other with different reporting requirements.

Source: Tennessee Department of Health, Division of Policy, Planning and Assessment.
Hospital Discharge Data System, 2014. Nashville, TN.

**Patient Destination for County Service Area by Hospital,
Highest to Lowest, 2014**

Hospital	Resident County			Total	Hospital Total All COs
	BLOUNT	LOUDON	MONROE		
Blount Memorial Hospital	34,225	954	2,528	37,707	41,327
East Tennessee Children's Hospital	5,931	1,466	1,076	8,473	59,713
Erlanger Medical Center	0	0	53	53	73,905
Fort Loudoun Medical Center	452	12,705	1,546	14,703	17,603
Fort Sanders Regional Medical Center	1,416	248	117	1,781	40,429
LeConte Medical Center	344	0	0	344	45,588
Methodist Medical Center of Oak Ridge	80	118	0	198	35,138
North Knoxville Medical Center	114	0	0	114	28,007
Parkwest Medical Center	1,532	2,639	812	4,983	37,296
Roane Medical Center	0	106	0	106	20,729
Skyridge Medical Center	0	0	120	120	42,413
Starr Regional Medical Center	0	145	2,953	3,098	35,127
Starr Regional Medical Center Etowah	0	0	2,105	2,105	11,427
Sweetwater Hospital Association	100	1,369	14,138	15,607	20,273
Tennova Healthcare	471	87	0	558	35,232
Turkey Creek Medical Center	899	1,744	291	2,934	18,036
University of Tennessee Memorial Hospital	3,993	428	484	4,905	33,525
Vanderbilt University Hospitals	57	0	0	57	105,582
Other Hospitals*	548	311	370	1,229	-
Total	50,162	22,320	26,593	99,075	701,350

* Roll up of hospitals with 50 or fewer ER encounters.

NOTE: Hospital Discharge statistics should not be compared to Joint Annual Report statistics. Both systems are independent of each other with different reporting requirements.

Source: Tennessee Department of Health, Division of Policy, Planning and Assessment.
Hospital Discharge Data System, 2014. Nashville, TN.

Patient Mix by County Service Area, by Select CPT Codes, 2014

CPT Code	Resident County			Total
	BLOUNT	LOUDON	MONROE	
99281	1,497	925	1,307	3,729
99282	13,447	5,410	5,813	24,670
99283	20,915	10,308	10,444	41,667
99284	11,530	4,263	6,672	22,465
99285	2,422	1,129	2,190	5,741
Total	49,811	22,035	26,426	98,272

Note: The Hospital Discharge Data System has 23 data fields available to enter CPT codes for a patient encounter. In 2014, the percentage of records with just one of the selected CPT codes per patient encounter equaled 98.3%. The remaining 1.7% having two or more CPT codes per patient encounter line were excluded from this table.

NOTE: Hospital Discharge statistics should not be compared to Joint Annual Report statistics. Both systems are independent of each other with different reporting requirements.

Source: Tennessee Department of Health, Division of Policy, Planning and Assessment. Hospital Discharge Data System, 2014. Nashville, TN.

Payer Mix by Zip Code, Emergency Room Visits, 2014

Resident Zip Code(s)	TennCare	Medicare	Self Pay	Commercial	Free Care	Cover TN, Cover Kids, Access TN	blank, other, unknown	Total
37314	6	13	3	4	0	0	0	26
37354	3,043	1,911	1,779	2,430	0	60	89	9,312
37385	1,537	1,117	809	1,030	0	24	66	4,583
37701	1,366	713	650	813	1	9	34	3,586
37737	710	443	371	589	0	3	20	2,136
37742	584	451	340	711	0	11	12	2,109
37771	3,029	1,817	1,723	2,269	2	82	16	8,938
37772	893	998	548	1,366	5	21	12	3,843
37774	1,751	2,525	1,166	1,943	5	50	14	7,454
37777	1,567	774	915	1,162	1	20	44	4,483
37801	5,095	2,470	2,263	3,163	1	52	91	13,135
37802	138	154	103	192	0	2	4	593
37803	2,726	2,020	1,319	3,197	2	47	45	9,356
37804	3,483	1,979	1,798	2,750	4	66	78	10,158
37846	899	590	620	719	1	25	6	2,860
37853	668	341	381	381	0	4	22	1,797
37874	3,706	2,169	2,363	2,491	2	51	56	10,838
37878	97	70	44	54	0	0	4	269
37882	292	252	161	232	0	2	6	945
37885	702	477	294	558	0	13	5	2,049
37886	725	371	255	418	1	3	4	1,777
Total	33,017	21,655	17,905	26,472	25	545	628	100,247

NOTE: Hospital Discharge statistics should not be compared to Joint Annual Report statistics. Both systems are independent of each other with different reporting requirements.

Source: Tennessee Department of Health, Division of Policy, Planning and Assessment.
Hospital Discharge Data System, 2014. Nashville, TN.

Payer Mix by County Service Area, Emergency Room Visits, 2014

Resident County	TennCare	Medicare	Self Pay	Commercial	Free Care	Cover TN, Cover Kids, Access TN	blank, other, unknown	Total
BLOUNT	17,413	9,951	8,529	13,670	10	218	371	50,162
LOUDON	6,373	5,777	3,838	6,103	10	167	52	22,320
MONROE	8,902	5,658	5,197	6,482	2	140	212	26,593
Total	32,688	21,386	17,564	26,255	22	525	635	99,075

NOTE: Hospital Discharge statistics should not be compared to Joint Annual Report statistics. Both systems are independent of each other with different reporting requirements.

Source: Tennessee Department of Health, Division of Policy, Planning and Assessment.
Hospital Discharge Data System, 2014. Nashville, TN.